

Chapter 7

Enterprise Processes and Architectures for Customer Value Creation

ABSTRACT

This chapter explores the underlying enterprise-wide strategic and operational fitness issues holistically from an organizational processes standpoint. It explains the theories and practices of enterprise or organizational processes and how enterprise architecture can be used to ensure the strategic and operational alignment of systems, processes, and strategies.

INTRODUCTION

In chapter 2, the authors note a) the basic building blocks of a capabilities-based strategy are business processes not products or markets, b) firm transforms these core processes into strategic capabilities that consistently provide superior value to the customer, and c) a capability is strategic only when it begins and ends with the customer (Stalk, et al., 1992).

According to chapter 4, service is inherently customer-centered and process-based. Customer value creation is a result of collaboration between the service provider and the customer. The value is determined by the customer using the service, which includes customer experience. Thus, maximized value can be co-created only when the service delivery process integrates seamlessly with the customer's internal organizational processes. It takes into account the capabilities or competencies

of the customer in integrating the offered service (operant resource) into their business operations to create value for themselves.

However, the market and external environments are constantly changing. The service firm needs to become a learning organization (see chapter 3). Firm develops and uses their dynamic capabilities to constantly adapt (i.e. sense and respond by seizing the opportunities of change) its strategy and business operations with the environmental changes to sustain the competitive advantage (chapter 2).

A business enterprise is an adaptive socio-technical system for value creation. The system is a configuration of multiple enterprise resource "components" comprising people (knowledge workers), business processes (activities on which the workers perform), systems (by which the business processes are supported or automated), and organization (by which the people, processes,

systems, and related resources are organized to conduct the day-to-day operations of the business). The need for these enterprise resource components to fit, individually and collectively, with the emergent business strategy and customer objectives to ensure maximum value creation is explained in chapters 4 and 5.

This chapter seeks to explore the underlying enterprise-wide strategic and operational fitness issues holistically from an organizational processes standpoint. It aims to explain the theories and practices of enterprise or organizational processes and how enterprise architecture can be used to ensure the strategic and operational alignment of systems, processes, and strategies.

BUSINESS PROCESSES

It is often said that process management is “a way to operate and manage a business” (Hammer, 2002). While business processes define the firm’s day-to-day operations in customer value creation, they must be designed to fit with the firm’s strategy. We recapitulate below the Kaplan-Norton (2004) strategy map framework described in Chapter 2 to

put business processes (and their management) in strategic context, as depicted in Figure 1.

Based on industry and customer insights, the strategy map starts with the articulation of a balanced portfolio of cost-efficiency productivity and revenue growth strategic imperatives to which the business model and intangible assets will be aligned. However, these strategic imperatives will only be achieved by satisfying the customer needs through a differentiated customer value proposition. The unique customer value proposition will define the ‘shape’ of the enterprise. That is the enterprise business processes, systems, people and organization all of which must fit seamlessly and coherently together to operate in unison to implement the strategy and deliver the proposed customer value. The principal link of the “shape” of the enterprise to strategy is the internal business processes (as illustrated in Figure 1). The business processes execute the strategy to deliver the proposed customer value. The enterprise core value-creating processes typically correspond to the Treacy and Wiersema’s (1995) three value disciplines of operational excellence, customer intimacy and product leadership—they are operations management, customer management, and innova-

Figure 1. Strategic alignment of people, process, system, and organization



(Adapted from Kaplan & Norton, 2004)

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