

## **Providing Value Through Process**

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### **Introduction: Providing Value within the New Economy**

It should be clear by now that no business executive can simply assume immunity from the Internet Economy. This new economy has drastically altered the rules of the game we all play. As such, the probability of impact of change is certain. The difference in impact to each business will only be a matter of degree.

The only variable is how you, as a viable business, respond to this change. It's this difference in response where you have the control. Becoming a key player in this economy is not about assuming a defensive position against new technologies or Web-based newcomers – rather, it is all about identifying, exploiting and leveraging the power of this evolution to your advantage.

In this paper, Fairhaven Solutions sheds light on how to provide value within this New Economy through an infusion of process.

### **Enduring Business Values: Some Things Don't Change**

Although the rules of the game are changing, the goals are pretty much the same as always. The value placed on a business is and has always been tied to the financial soundness of the business or the potential for long-term gains for the business stakeholders.

This is true for any successful business entity, from global IT consultancies to the neighborhood grocery store to your own internal IT department.

The current and projected financial soundness of a business is directly linked to the total costs of operation ranging from research and development, product development and the incurred cost of sales. This results in an ongoing desire of the business to increase operational efficiency and mitigate unforeseen costs due to inadequate risk mitigation.

This financial soundness and the potential is always at least intricately linked to the business's ability, both perceived and real, to provide a clear, sustained value proposition to their customers. One element of business that will endure is that there will always be people and companies who buy stuff, and they will be called "customers". The sellers of that stuff will want to keep those customers happy and satisfied and coming back, and so they will strive to have a sustained relationship with those buyers. This sustained relationship results in the business striving to attain a product leadership role in the industry.

This sustained relationship of being a preferred supplier to a customer base, coupled with the ability of competitors to simply copy your business model, necessitates the need to somehow stay ahead of the competitors, at least in the eyes of the customers. This results in a desire to minimize the cost to the client, both direct costs incurred when purchased and unforeseen costs due to the real lifetime cost including maintenance, support or costs related to poor reliability and quality.

While minimizing the cost, the business will also strive to maximize the customer's perceived value being supplied by the product. This results in business's striving to understand their customers and gaining a high level of customer intimacy. This intimacy not only improves the business's current products but also helps the business stay ahead of the competitors by constantly changing the product offering, either improving current offerings or introducing new products.

In summary, the value of a business is displayed by their financial soundness and potential for long-term gain. Successful companies have traditionally reinforced their value through an emphasis on three disciplines: operational efficiency, product leadership and customer intimacy. These enduring business values are displayed in Exhibit 1.



**Exhibit 1 - Operational efficiency, product leadership and customer intimacy sustain value.**

Traditionally, successful businesses have become champions in one of these disciplines, while meeting industry standards in the other two. Companies that push the boundaries in one value discipline while meeting industry standards in the other two gain such a lead that competitors find it hard to catch up. Chances are, future leaders will be those that master more than one area.

### **Traditional Environment: How Your Mentors Provided Value**

Throughout the previous century, achieving the above three value disciplines was more a matter of long term planning than short-term initiative and innovation.

In parallel with the awareness of these value disciplines was the emergence of the all-powerful corporate hierarchy as the ordained social and organizational template for success. This emphasis on enabling value creation control within a single entity greatly influenced how our predecessors strived to achieve these value disciplines.

To achieve operational efficiencies, businesses created tightly managed deep hierarchies controlling everything from raw material to product design. In 1928, automaker Henry Ford even secured 2.5 million acres in a Brazilian jungle to ensure a sustainable source of rubber for the Ford Motor Company. For business owners such as Ford, transactional and coordination costs were easier to minimize if they explicitly controlled all aspects of the product or service offering.

The widespread adoption of large corporate hierarchies provided slow, but predictable growth and also spawned a reliable and somewhat stable workforce.

During these times, customer intimacy was focused not so much on learning what the customer desired as it was on educating the "mass market" that they needed

your product. Enormous branding efforts were undertaken to ensure customer loyalty, even across completely disparate product lines. Businesses were in the business of defining value for the customer.

Product leadership, the third value discipline, was achieved by keeping a keen eye on the competition and securing a dominant, long lasting position in the market. Most serious businesses were large, moved slowly and therefore were easy to track. Once dominance was secured, product leadership could be retained for years if not decades.

As Pulitzer prize winner Alfred Chandler demonstrates in his work entitled "The Visible Hand: The Managerial Revolution in American Business", modern business structures such as Ford's cumbersome hierarchy came into place when administrative coordination did better than market mechanisms in enhancing productivity and lowering costs.

As Chandler and many other experts in the field of business history will readily point out, the emergence of corporate hierarchies as the social and business norm was not preordained, but rather emerged in response to the extreme costs of transactions and the coordination of knowledge across disparate business partners.

### **Today's Environment: A Dim Reflection of the Past**

So what happens when the costs of transactions and coordination across business partners is dramatically reduced? Since the mid 1990s, we have seen the net result as the Internet and Web have upset everything we knew and grew accustomed to, by slashing costs of transactions, increasing the visibility of data and accelerating the velocity of information.

Unlike our predecessors, we are now faced with a brand new environment typified by hyper-competition, rapid technological advances, the extreme fragility of legacy brands, a velocity of information that places start-ups on the same playing field as century old Goliaths, and a customer-base that is now defining value themselves, without our help, based on an ever-rising level of expectations.

You can readily see this in the release of products aimed at securing a niche market for only a period of months. The notion of early adopters and laggards is gone. Either you have market share or you don't.

The impact of the Internet and Web has also extended to the workforce. The need to keep up with and leverage emerging technologies and our ability to quickly secure viable partnerships in lieu of empire building has placed a premium on talent – talent that would rather work from home in a free agent metaphor.

### **Today's Requirements: Keys to Successfully Providing Value**

Faced with an environment turned sideways by the Internet and Web, how do you successfully achieve the three value disciplines? Simple – rather than focus on how big the threat is, focus on the opportunities it provides to outpace and outmaneuver your competitors.

First, we need to recognize the impact on our customers. Their expectations are continually rising and they are the ones that are currently defining value. You need to play their game and raise the bar even higher.

Many of today's overnight success stories such as Dell and Nike have redefined value for customers in their markets and have built powerful, cohesive business systems that could deliver more of that value than competitors. By doing so, they raised customer's expectations beyond the competition's reach. These leaders changed what customers valued and how it was delivered, then boosted the level of value that customers expected.

The idea that companies succeed by selling value is not new. What is new is how customers define value. In the past, customers judged the value of a product or service on the basis of some combination of quality and price. Today's customers, by contrast, have expanded their concept of value to include convenience, service, reliability and future use. Customer intimacy has evolved from a stance of educating the customer through intense branding to understanding what the customer values.

This leads directly into the next step relative to the value discipline of product leadership. Successful businesses in the new environment have realized that customers have expanded their concept of value and they are now placing high emphasis not just on product features but also on convenience, service, reliability and long term viability. This has also extended to the service offerings of these businesses. Product leadership now encompasses everything the customer experiences and highlights the need for businesses to embrace innovation and to leverage the Internet to handle an increasing velocity of data from a diverse enterprise of corporate and partner team members.

In today's new environment, the third value discipline, operational efficiency, is the most critical to achieve. Hyper-competition, the fragility of long-term dominance and the ability of the customer, technology, or competition to change the customer's perception of value at any time highlight our need to become nimble, reliable and efficient.

In today's market, successful businesses need to be able to outpace and outmaneuver the competition, rapidly exploit new technologies, and respond quickly to evolving customer needs and values. This mandates the establishment of cultures, processes and tools that enable you to become fast and agile in information assimilation as well as decision-making.

This becomes challenging as traditional hierarchies, cultures and tools are used in this new environment. Often decision-makers are somewhat removed from the real innovators and delivery arms of the business. What is required is a way to quickly make informed decisions based on collaborative efforts across internal departments, geographically dispersed team members and outside business partners.

Reliability becomes of paramount concern to a business as decisions have to be made quickly and customers as well as company stakeholders become less tolerant of surprises emanating from weak risk mitigation schemes, cumbersome tools and outdated information.

With the arrival of the Internet, transaction and coordination costs are rapidly approaching zero, partnerships based on true collaboration matter more than

hierarchies, expanding through coalitions of independent entities is more valued than acquisitions and intellectual capital matters more than asset ownership. Successful businesses are leveraging this to optimize their efficiency.

The value of an adaptive central development process, both from a viewpoint of risk mitigation and the ability to encompass a single “corporate language”, becomes more and more cherished. Combining this with a tool that embraces the process while providing real-time insight into project related data would enable a business to stay miles ahead of the rest of the pack in an environment where innovation, collaboration and velocity of data are key.

### **Javelin: Sustained Delivery through Process Infusion**

Achieving operational efficiency in the new environment demands the use of a flexible enterprise management tool that embraces a single corporate process and project language.

Sustained delivery of quality products and services, delivered on time and on budget, requires more than heroic individuals. It also requires cohesive teamwork and a common understanding of development tasks. This becomes more challenging as we depend more and more on a networked model rather than a hierarchical model in response to the new environment. That's why today the implementation of a predictable, repeatable process is crucial to the success of a business.

Fairhaven Solutions has defined such a process, referred to as **Javelin**, to govern our internal product development as well as our service offerings. Based on the Rational Unified Process, **Javelin** allows us to replace isolated and ad-hoc development practices with a shared view of the overall process, incorporating lessons learned and best practices from across the industry. We do not have the luxury of learning the lessons the hard way – we need to apply industry best practices in order to avoid fatal mistakes.

**Javelin** encompasses five distinct roles:

- ❑ Provides guidance as to the order of a team’s activities.
- ❑ Specifies which deliverables should be developed.
- ❑ Specifies when the deliverables should be developed.
- ❑ Directs the tasks of individual developers and the team as a whole.
- ❑ Offers criteria for monitoring and measuring the products and activities.

By using a well-defined, repeatable process, teams can improve the process with each pass through it, thereby increasing their efficiency and the quality of the end product.

### **Today’s Tools: A Mixed Bag of Old Hammers**

Simply embracing a core process is not enough. Businesses still require a tool to manage projects, data and information across their enterprise, especially when their enterprise includes external partners.

The challenge immediately faced by businesses is that most traditional enterprise management tools on the market today (Project, Artemis, Primavera etc.) have grown up over the past decade or more and are ill equipped to handle the demands

of the new environment. Rather than embracing the change in the environment and adapting their tools, many of these vendors have approached the market with an old hammer. And of course, when you have a hammer, everything looks like a nail.

For instance, many of the legacy products actually become obstacles in the journey to become nimble, reliable and efficient in this new environment.

Many of the tools have evolved from a culture where data is more valued if it is not shared. These tools actually prohibit the sharing of data and promote hoarding of project related data within the hierarchy, usually at the project manager level. The new environment requires data to be shared through custom views for each type of project stakeholder, from executives to individual developers.

Another downfall is that these products, designed to manage large projects extending across several years, become rather cumbersome when they are applied to 6 to 9 month projects in an environment where business goals evolve during the project.

This "cumbersome" attribute extends to the difficulty in learning the tool. Often the simple introduction and use of the project management tool becomes a project in itself, distracting your staff and wasting precious time.

These tools, without the use of costly and troublesome add-ons, do not link project goals to project plans or staff utilization – a sometimes costly and fatal mistake, especially for business's whose goals are evolving in response to a dynamic environment.

These tools also do not permit the view of projects across the enterprise in a portfolio approach. A portfolio view permits executives and stakeholders to observe the performance of their staff across projects in a dashboard type of view, enabling rapid resource planning and reorganizing of key corporate assets.

Even if the above problems can be resolved, these tools are still missing two key attributes – the ability of the tool to embrace a central process and the ability of the product supplier to provide the 24x7 type of support required in today's environment.

Many of these traditional vendors themselves are focusing solely on the third value discipline - product leadership. In doing so, their customers are continually frustrated with poor service, having to pound the square product into a round hole, and wishing they had the next release - resulting in an overall low acceptance of a so-called "great" product.

Just like you need to adapt your business practices to achieve the value disciplines in this new environment, you must also equip your team with the proper tools. It is critical to treat the selection of a tool or set of tools with the same rigor that you reserve for selecting the right talent for your staff. Additionally, remember that the tool should never be a substitute for a good, reliable process that promotes best practices.

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