

Operational Transformation: the Next Source of Competitive Advantage

Business Editors / Hi-Tech Writers

NEW YORK--(G/WIRE)—Why is it that, given two companies with approximately the same assets and number of skilled employees, one struggles; the other grows profits. From where do those profits come? The answer is that they come from how work gets done: how companies do what they do, how they operate. Sound boring? It's not. *Operational Transformation*—a combination of good use of Internet connectivity and emerging business process management techniques—is the next frontier of competitive advantage, according to industry experts, Peter Fingar and Joseph Bellini. Lacking growth markets, and facing global competition in uncertain times, companies must transform the way they conduct business, or their competitors that reinvent the way they operate will run circles around them.

That's the message in Fingar and Bellini's new book released this week, *The Real-Time Enterprise*. It's about new sources of competitive advantage centered on time-based competition and flawless execution of business strategy. They argue that we are now on the cusp of a new opportunity for achieving business advantage that General Electric's Key Growth Initiatives describes as "the greatest growth opportunity our company has ever seen." While other large companies were slashing IT budgets after the dot-bomb, GE launched its Digitization Initiative, automating the company's outward-facing business processes. The results so far include record-breaking profits in 2003 and shifting the ratio of front-office to back-office resources from 60/40 to 90/10, thereby increasing the resources that go directly into money-making activities.

When airline industry veteran David Neeleman of JetBlue decided to bring humanity back to air travel, he had to transform how an airline could operate in order to do the seemingly impossible: offer extremely low fares while delivering a high-quality product that would delight travelers. One example of how he slashed costs was through transforming the reservation process. He cut out commissions to travel agents, and, instead of paying high office rents and corralling reservationists into cubicles, he let them stay home and let the network become their JetBlue offices. This Operational Transformation — accomplished by redesigning the reservation processes and call-handling software to distribute the work virtually anywhere in real-time — meant no expensive real estate; no expensive, time-wasting, harried commutes; and lots of happy reservationists — just call and ask them.

When the charismatic Briton, Richard Branson, moved into the mobile phone business in the United States, he decided to transform how a mobile phone company would operate — by having absolutely no telecom infrastructure, not even one tower. By breaking into the top 10 in 18 months, Virgin Mobile has shown that it's an effective way to compete against rivals that spent billions of dollars to build mobile networks. Virgin forged a "cooperation" relationship with Sprint PCS to host its connections and deployed process integration software to connect its business processes to Sprint's

operational infrastructure. Virgin Mobile tied together its systems, and connected them to operational support-system software to broker real-time transactions between Virgin and Sprint.

Fingar and Bellini's research concluded that by making deep structural changes—made possible by business process innovation—these companies have re-invented the very ways they operate their businesses, changing the game in their industries. While companies may have plenty of innovative ideas for change, they've lacked the capability to *execute on innovation*—until now. Fingar and Bellini conclude that companies that transform their operations by mastering the new competitive weapon they dub the "strategy-execution machine" will dominate in the decades ahead. A new category of software, business process management systems, shifts the focus of business automation from a foundation based on data, to one centered on the dynamics of business processes. While IT professionals and BPM insiders are fully aware of this structural shift in automation, executives in the corner offices must understand its significance, and prepare their companies for a new form of technology-enabled competition.

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