Research Brief

The Re-emergence of Business Process Re-engineering

Abstract: The need for business process re-engineering services returns as enterprises look beyond transformation from Internet-enablement to optimization of their IT solutions investments.

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Recommendations

- Consulting and systems integration vendors must develop or partner for business process re-engineering skills.
- Midtier consulting and systems integration vendors must focus on filling the skills gap in the services market ignored by e-business pure plays.
- Though business process re-engineering services are key offerings for consulting and systems integration vendors today, additional business process transformation and change management skills are required for a complete solution offering.
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Demand Migrates to BPR

The Internet brought a fundamental change in how enterprises use IT. Demand for consulting and systems integration companies with business process transformation (BPT) capabilities peaked as enterprises aggressively sought to fundamentally re-architect their business processes and leverage the Internet channel. Because incumbent consulting and systems integration companies lacked the expertise to actually deliver Internet-inspired BPT, e-business pure plays (such as IXL, marchFIRST, Scient, Viant and ZEFER) gained favor quickly. However, the following forces conspired to decimate this new services sector:

- Overinvestment in IT
- U.S. economic recession
- Internet technology cycle (see "An Introduction to the Internet" DPRO-90658)
- Emerging competition from incumbent consulting and systems integrators (see "E-Business Supply-Side Market 2001: Vendor Service Portfolios and Sales Strategies" ITES-WW-MT-0106)

The combination of these forces has shifted the demand for IT professional services toward business process re-engineering (BPR). The enterprise view of IT has shifted away from new investment in technology to transform the business toward incremental spending to optimize technology assets. Rather than seeking competitive advantage, enterprises want business results. Rather than looking for large volumes of customers, enterprises desire profitable customers. It is critical that IT professional service providers demonstrate expertise in solving core business process issues within specific vertical markets as well as deliver business value of the solutions deployed.

Distinguishing BPR From BPT and Change Management

Three terms describe how consulting companies assist enterprises in modifying their processes. These terms — BPR, BPT and change management (CM) — are defined below with respect to the services consulting and systems integration companies offer.

Business Process Re-engineering

Gartner Dataquest defines BPR as services that change key business processes, which may alter key inputs and outputs to an enterprise’s business model, but does not, in and of itself, change the foundation of the business model. This includes refining the processes that impact how the enterprise interacts with clients, employees, suppliers and partners, and manages internal operations.

For example, in the case of customer care, BPR services are utilized to determine how to provide incremental business benefit to the broad process of customer retention. This includes leveraging technology,
business process and vertical market expertise to improve a company’s IT investments in solutions to address self-service, inquiry handling and problem resolution, field service automation, order management, repair and returns handling, and attrition management.

BPR is characterized by the following:

- Services that are not tied to overarching corporate strategy but, rather, to subgoals surrounding the refinement of specific processes and functions to improve quality or productivity
- The optimization of business processes and measurement of investment returns
- A primary focus on process improvement not people improvement
- Strong understanding of business process-enabling technology with a particular emphasis on IT architectural design, application development and enterprise application integration

**Business Process Transformation**

Gartner Dataquest defines BPT services as the planning and implementation of new business processes and enabling models and technologies that represent significant change to an enterprise’s business model, including how the enterprise interacts with clients, employees, suppliers and partners, and manages internal operations.

Using the same example of customer care, BPT services are utilized in determining how to fundamentally change the broad process of customer retention. This includes reliance on Internet-based technologies, as well as business process and vertical market expertise, to structure new business processes around self-service, inquiry handling and problem resolution, field service automation and so on.

BPT is characterized by the following:

- Services that are tied directly to overarching corporate strategy
- The delivery of competitive advantage, enabling the client to be first to market
- Fundamentally transforming the manner in which a business operates, including the introduction of new business models, channels or processes. The focus is on introducing new business capabilities to transform business outcomes.
- Services that depend on the availability of technology, typically packaged software applications, including business strategy consulting, IT architectural design, application development and enterprise application integration

For a discussion of BPT consulting and systems integration companies see "ESP Business Process Transformation Magic Quadrant" (M-15-2035).
Change Management
A generally accepted definition of CM services typically revolves around
the provision of tools, processes and techniques to improve the
effectiveness of human resources, both executives and front line
employees, when new business processes or technologies are introduced.

Change management is characterized by the following:

- A focus on how people interact with the process, including
  organizational and behavioral issues
- Limited technical expertise is required, including strong expertise in
  industrial organizational psychology and organizational behavior. This
  includes a solid understanding of business processes and vertical
  markets.
- Services delivered to improve behavioral or organizational effectiveness
  regarding human interaction with business processes
- Services often associated with BPR and BPT projects

The Right Skills Mix

The continuous struggle of consulting and systems integration service
providers is demand management — matching client demand with
consultant skills. As demand shifts toward BPR, midtier consulting and
systems integrators are well positioned to capture this market opportunity.

Enterprises are moving away from purchasing end-to-end application
packages to upgrade a business process and, instead, purchasing services
that address the gaps and pain points in business processes not solved by
the end-to-end solution. For example, portions of enterprise resource
planning, supply chain management and customer relationship
management are used to complete the business process of order
fulfillment. Today, enterprises of all sizes look to purchase BPR services to
realize the business benefit of improved business process integration.

At the same time that characteristics for purchasing services is changing,
so too is the competitive environment. Offshore competition is pressuring
charge rates while maturing technology is constricting demand for BPT
services. Midtier consulting and systems integrators offer an alternative to
the more highly priced, larger IT professional services firms and the
disappearing e-business pure plays.

Consulting and systems integration companies that focus on CM are the
most challenged of all. As technology becomes more engrained in business
processes and business transformation and process re-engineering are
more influenced by technology, CM alone needs to be more coupled with
technology.
The market has clearly swung back in the direction of enterprises looking to achieve cost savings through improved business process quality and productivity. As such, those consulting and systems integration vendors that offer bread-and-butter BPR services are well positioned to gain market share.

**Key Issue**

What are the opportunities, trends, and forecasts for the consulting and systems integration market?
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