



Business Process Management for small businesses

A study of the Australian wine industry

By Sandy Chong

Business Process Management (BPM) has been identified as the number one business priority. However, building one's business process capabilities will remain a major challenge for senior executives in the coming years. BPM is a structured method of understanding, documenting, modeling, analyzing, simulating, executing and constant change of business processes and resources that add value to the business. Though BPM research has always focused on

large organisations, it is also very important within the context of small and medium-sized enterprises (SMEs).

In this article, we focus on SMEs within the wine industry, mainly because of its significance in Australia. Wine businesses in this region are just starting to apply BPM principles in response to the global grape glut, which forced them to increase operational efficiency. A pioneering study was done to review BPM practices in these SMEs.



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BPM in SMEs

The benefits of successful BPM experienced by large organizations are well endorsed and documented; they include, better operational efficiency, increased profitability, better customer relations, shorter process-cycle times, lower operating costs, increased accountability, and improved market competitiveness. However because the spotlight has always been on large organizations, there is a false impression that process-driven optimization frameworks are not applicable and useful for SMEs.

It seems to be that most SMEs are not aware of BPM practices that can help their businesses. In many cases, they remain attached to older (functional) ways of thinking and managing, much to the detriment of their long-term survival. This situation has raised concerns amongst policy makers worldwide, as SMEs are important drivers of the economy, accounting for 40 to 60 percent of businesses in most developed nations. Regardless of industry, there is an increasing need for SMEs to keep in pace with developments in the field of business strategy, so as to compete in an increasingly global environment.

The Australian wine industry

The recent trend of industry consolidation has threatened the competitiveness of smaller wine operators; these larger companies bypass traditional distribution channels, eroding the margins of smaller players. Furthermore, the worldwide grape glut (oversupply) has generally depressed the market value of wine-related products. This points to the need for industry-wide strategies that preserve the health of the industry.

Many operators have started to incorporate wine tourism in their business models in a bid to diversify operations. It is important to note, however, that this is unlikely to offset the influence of supply-side inefficiencies and changing market dynamics. Thus, the fate of SMEs will largely be determined by their willingness and ability to optimize business processes.

For this research article, interviews were conducted with representatives from 10 SMEs in Western Australia's (WA) wine industry. The main objective was to examine factors that impede or constrain the implementation of BPM.



I. Lack of financial resources and time

These appeared to be the two most important factors that hampered BPM implementation in the wine industry.

SMEs are usually unable to accommodate a large outlay on IT-driven BPM tools. Their human capital base also too small to allocate BPM-specific tasks without compromising on regular operations. As one interviewee posited, the wine industry is very “capital intensive”. Hence the long run cost savings expected from BPM practices must be carefully balanced against the need for adequate working capital in the short run. The smaller the firm, the

II. Lack of senior management support

Four of the ten interviewees found that this factor inhibits BPM significantly. This is consistent with other BPM studies, that support from senior executives or leaders is key to BPM success.

Unfortunately in the wine industry, there is much resistance because businesses are relatively “family-oriented” and “traditional” in their mindsets and organizational structure. On the other hand, firms that experience great managerial support have more vertically integrated business units, supply chain intermediaries, export markets, growth

Constraints on BPM implementation

The research consisted of semi-structured interviews with representatives from SMEs in WA that derive a significant proportion of their revenue from activities related to wine production or sales. Although BPM has been adopted by many of the firms in this SME-driven industry, implementation is still at a stage of infancy.

III. Lack of IT expertise

This finding is understandable on two grounds. Firstly, the wine sector is still an “emerging industry” to the extent that much of it is still comprised of small family-owned operations, most of whom do not have the resources to employ specialist CIOs or knowledge management supporting officers. Secondly, firms are mostly unable to afford hiring BPM technology specialists or consultants.

IV. Poor knowledge & misconceptions of BPM

This finding is not only consistent with general studies on BPM adoption in SMEs, it also applies to the wider corporate community. A sound knowledge of process-oriented optimization frameworks is essential to the success of BPM, regardless of size and industry. In our context though, there is a false impression that since smaller wine companies are not operationally diversified enough, investing in process optimization is not worthwhile.

That is not true, however. All companies, whether they realize it or not, are engaged in value-adding activities - which are in fact “business processes”. It would be a mistake to assume that the streamlining of these “business processes” is irrelevant to them.

In our interviews with wine companies, BPM activities were usually adopted in an *ad hoc* and piecemeal fashion, without proper implementation plans or strategic frameworks. Addressing the knowledge gap with education and publicly sponsored initiatives would therefore be essential.



“Collaborate to compete”

SMEs in the wine industry seem to be caught in the same dilemma: it is true that process optimization frameworks like BPM should be adopted enjoy long-run cost reductions, yet, firms still have to manage short term capital needs, causing BPM initiatives to be curtailed, delayed, and even abandoned. Experts recommend that “competing” SMEs should instead collaborate, especially in industries like the wine sector, which is seeing more and larger competitors enter the market.

If a “collaborate to compete” model is adopted in the WA wine industry, various inter-organizational networks can be exploited. And, issues with a lack of resources may be dissipated. Certainly, one of the biggest questions is whether the WA wine industry is mature and ready enough to adopt the “collaborate to compete” approach. Indeed, our research reveals that stalwarts of the wine industry tend to be averse to such arrangements. In light of new competitive pressures, it might therefore be worthwhile for companies to rethink their otherwise “traditional” business approaches. ■

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For more information about Verity’s global services and innovative business solutions, contact us at:
+61 4 02211373 (Australia) +65 8337 7178 (Singapore)
info@verityconsult.com

About the Author

Dr. Sandy Chong
Principal consultant, Verity Consulting Pty Ltd
dr.sandychong@verityconsult.com
[linkedin.com/in/sandychong](https://www.linkedin.com/in/sandychong)

Curtin Business School
Curtin University of Technology
Western Australia, Australia

This article is an abridged version of a research paper published in 2007 in the *Journal of Information Systems for Small Businesses*, 1(1-2), pp. 41-58 - *Business Process Management for Small- and Medium-sized Enterprise: An exploratory study of implementation factors for the Australian wine industry*.



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