Book reviews

Process Innovation

T.H. Davenport. Harvard Business School Press, Boston, 1993.
337 pp.

There are as yet not many authorities in the field of process-oriented business analysis. The current interest in business process redesign/re-engineering (BPR) dates back to Davenport's article in June 1990 (*Sloan Management Review*) and one from Hammer in the July/August issue of the *Harvard Business Review* in the same year. Some authors have responded with books drawn from their experience of O & M (for instance Harrington's 'Business Process Improvement', referred to by Davenport) and there has been a spate of articles in the business and computing press purporting to explain the need for and derivation of the new approach. These are mainly anecdotal accounts of case studies which involve any of the 'ingredients' of BPR (such as change to process, structure, culture or systems), but give little justification for regarding BPR as a new 'method'.

Davenport's book is therefore a 'first' and goes a long way towards establishing a sound basis for recognizing BPR as a legitimate and useful area of study and practice. Whether it is exactly 'new' is another matter: it owes much to a synthesis of techniques from Porter's strategic analysis (such as his value chain ideas), the quality movement, logistics and information engineering. However, it is perhaps the first 'packaged' approach to addressing the problem which has bedevilled organizations in the past: how to create a genuine synergy between IT and the business and focus effort on real competitive issues in the market-place.

Davenport gives an informative explanation of the origins of process thinking and sets out the issues: the difficulty of defining processes in a functionally-oriented organization, the need for vision, the niceties of balancing enablers and constraints in the search for innovation and the challenge of implementing radical change.

He refers to three enablers of innovation: information technology (IT), information and organizational/human resource factors. Given the central theme that we need to ask fundamental questions about the way organizations work, I was disappointed that there was not more emphasis on process/product knowledge and the need to empower the considerable base of 'know-how' which exists in most organizations. For instance, the vision that is undoubtedly central to any major change programme can be stimulated/informed by 'digging out' measurements of current process performance and by analysing activity costs. This is likely to yield insights (possibly

shocks) which are a major determinant in changing mind sets and creating buy-in. Similarly, the information needs of managers (particularly of the 'soft' variety) can be illustrated more graphically by tracing decision processes and analysing their time/quality dimensions.

The illustrations of how IT can be used to create capabilities were interesting, but given that organizational/human factors was accorded equal weight as an enabler of innovation, I felt more needed to be said. This goes back to the problem of business/IS synergy and why IT spend does not seem to necessarily confer competitive advantage. It may be true, as Davenport notes, that setting 'stretch targets' challenges staff to be innovative, but I am also reminded of Deming's warning that threats and exhortations made by managers who do not understand the capabilities of 'the system' (in its wider sense) will merely frustrate and demotivate people.

Davenport draws a distinction between process innovation (top-down, radical change) and process improvement (the incremental approach). He suggests the Japanese are comfortable with the latter (which may yield 5–12% improvement per year), but that Western companies are better suited to short, sharp initiatives aiming for 50–100% improvement, underpinned by ongoing process improvement to prevent backsliding. Again, I am not convinced: given that most of the process innovations which Davenport describes towards the end of the book have been introduced from the Japanese, it may be that innovation actually has to be a longer-term incubation process and even copying (rather than inventing) new ways of working may need careful preparation.

This is a stimulating and useful book, written by a practitioner with real experience of an approach which has certainly only been consciously attempted in very recent times. It would have been useful to have had more practitioner advice (for instance on modelling methods and techniques challenging management thinking). The overriding message is that successful organizations express strategy in process terms. Managers must consider key processes across the entire value chain, and encourage both future thinking and attention to current performance and measurement. I am reminded that President Truman is said to have remarked: 'I may be President of the United States but I have no idea what happens to an order after it leaves this office'. The Japanese have shown that that is not good enough for business in the 1990s.

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