

BUSINESS PROCESS INNOVATION : A PRIMER

Introduction and Concepts

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There is a lot of talk these days about Business Process Re-engineering, alternatively referred to as Business Process Innovation or Business Transformation.

I think I like the Thomas Davenport [1] term 'Process Innovation' most; it seems to me to stress the innovative and creative aspects as distinct from the nuts and bolts flavour of 'Business Process Re-engineering' for example.

This article is one of a short series for BPICS to explore the issues of business process innovation and to give members the opportunity to learn what business process innovation really is, what it means to a company, how one goes about doing it, and what can be achieved.

The series will have four papers (I think, unless in the process of writing the series I find that more, or less, is appropriate) ie:

1. Introduction and Concepts
2. Logistics and Process Innovation (of particular interest to BPICS members).
3. People and Organisation
4. How to do it and Potential Benefits.

I would hope that by the end of this little project BPICS members will have a very good idea of what process innovation is, its relevance to their own business and how a process innovation project can be undertaken.

Let us try some definitions to put 'BPI' into context.

I found the first one in a consultants' glossy brochure: 'Business Process Innovation is an approach to re-engineering your major business processes so that they are driven not by a historical functional orientation, but by the outcomes you require to deal with your business challenge' [2].

Another one is 'Process Innovation - a revolutionary new approach that fuses information technology and human resource management' [1].

Thirdly, also from a consultants' glossy, 'Processes - not functions - drive a company and re-engineering those processes is the key to satisfying customers and stakeholders' [3].

Process innovation is easily confused with business process improvement [4]. Process improvement is something different altogether. It is probably what we did (if we were smart) when we implemented MRPII in the past. Process innovation is what we should have done, but almost certainly didn't do.

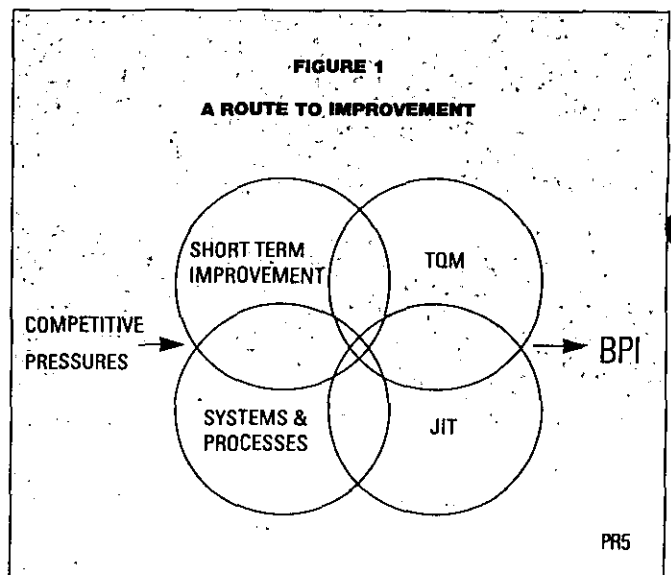
Process improvement is a bottom-up activity of improving existing processes and is closely related to continuous improvement.

Process innovation is the fundamental, typically company-wide, top-down activity of changing the business processes and the business organisation to provide a quantum leap of performance improvement. For a given process, process innovation will probably only take place once, whilst process improvement should be an ongoing activity. What they both share, is that they aim to provide better processes and that they focus on the customer. Normally process innovation will be followed by ongoing process improvement, probably under the banner of 'continuous improvement'.

With process innovation we can change our business performance beyond recognition and can gain dramatic business advantage. If we wish to become world class players and maintain our position as a long term survivor in an increasingly competitive world, we need business process innovation. Even if benchmarking indicates that we are matching up well against the competition, that will probably only be a short-lived state of comfort; it is highly likely that at least some of our competitors will develop innovative solutions to enhance their business processes and thereby make life difficult for us.

I am not sure what the roots of process innovation are, but it encompasses pretty well all we know about changing a business and its effectiveness. In many ways I see the development as shown in Figure 1: companies suffer severe competitive pressure and there is a need to change business performance significantly to reach a higher plateau of performance. The term 'step change' has been used in the past (for example at an Institution of Production Engineers conference a few years ago).

Typically companies have used one or more approaches to effect such change, be it through short term performance improvement projects or new systems, or be it through JIT or TQM. The results have often been patchy, localised and not lasting. Business process innovation might use some of the tools and enablers of the previous approaches. Indeed many techniques which are used in process innovation have been around for a while, but the way they are put together in a holistic approach with the objective of dramatically changing the whole business is new.



I would like to quote another glossy [5] which offers the argument that 'the successes from re-engineering reside in five aspects....':

- 'Process orientation.....'
- 'Team work.....'
- 'Time management.....'
- 'Use of (communications and computer) technology....'
- 'New (management) leadership.....'

If I try to rationalise all that, what do I come up with? How about this?

Process innovation is a fundamental top-down re-engineering of the key business processes of an enterprise to create an effective, customer orientated business, based on a process rather than a functional organisation, teamwork rather than functional excellence, time management as the key driver, the effective and integrative use of modern IT, supported by a new style of management leadership which focuses on effective processes, team spirit, people empowerment and excellent customer service.

There are therefore essentially two fundamental ideas in business process innovation:

- the process takes precedence over the technical function
- superior customer service is the key to process excellence.

A functional organisation focuses on functional excellence and efficiency. That does not necessarily benefit the customer and therefore does not necessarily improve the competitive standing of the business. After all, what the customer buys is the best value portfolio in terms of specification, quality, price and service [6]. He does not buy the best and most professional production control department. He does however, for example, buy reliable delivery, which is assured by a set of effective, integrated processes, of which a good production control process is one element. In other words, the business processes all need to work well, individually and collectively, so that the customer gets the best possible value portfolio. That requires compromise and integration, both of which are not concepts which come easily to the conventional functional organisation. So the organisation structure required to support the process orientated organisation is a major issue in business process innovation, and in many ways the most complex and most threatening one for the management team.

By virtue of its breadth, business process innovation is in any case **AMBITIOUS, COMPLEX, RADICAL, INNOVATIVE and DANGEROUS!**

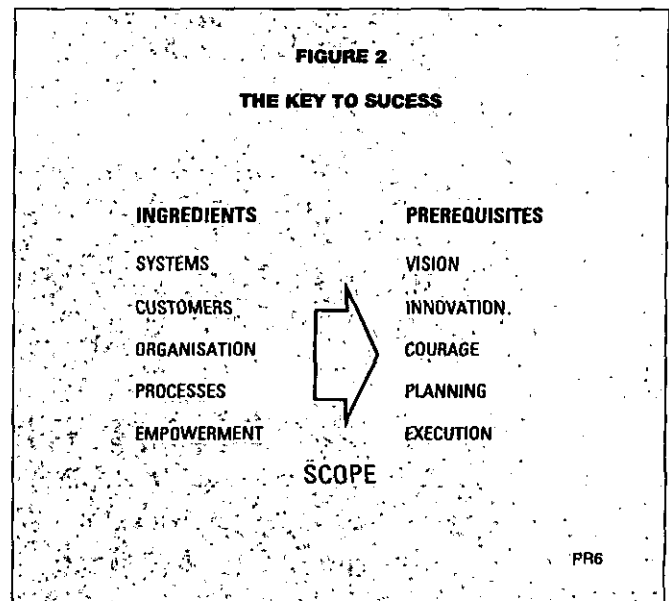
There lies the problem of course: do it, and you could be destroying the business; don't do it and you won't survive the competitive struggle. Business innovation is not for the faint-hearted; it is complex in a variety of ways, but particularly because it contains so many activities and disciplines, such as for example (but by no means exclusively):

- complex project management skills
- human resource and organisation theory
- IT knowledge
- business process analysis
- systems prototyping
- functional knowledge (eg. supply chain management)
- organisational systems theory
- motivation and leadership
- change management skills

The basic tools of process innovation are not that difficult and are by now well documented (eg. [1]). What is important is that, as in all company-wide change management projects, the company knows why it is doing it and that senior management are totally committed to the change. That brings with it all the relevant change project pre-requisites such as:

- clear objectives
- adequate resourcing
- steering group
- project team(s)
- education
- project methodology and planning
- top-down direction and motivation
- management buy-in.

I have tried to put this into the simple 'SCOPE' concept in Figure 2, where the ingredients of business process re-engineering are shown as Systems, Customers, Organisation, Processes and Empowerment (=SCOPE), supported by pre-requisite of success, namely Vision, Leadership, Innovation, Courage and Planning.



REFERENCES

- [1] Davenport, T.H., "Process Innovation", Harvard Business School Press, (1993).
- [2] Ernst & Young
- [3] A T Kearney
- [4] Harrington, H.J., "Business Process Involvement", McGraw-Hill, (1991).
- [5] "Re-engineering, Die Managementperspektive", Boston Consulting Group, (1993).
- [6] Kruse, G., "World Class Manufacturing", Keynote address at the 1993 National Convention of the Indian Institution of Production Engineers.

About the Author

Gunther Kruse. A Fellow of the The British Production and Inventory Control Society, Gunther was until recently Managing Director of London International Group's German subsidiary. Prior to this, he was Group Director of Manufacturing at London International Group and was responsible for co-ordinating the worldwide manufacturing activities of the Group in terms of capacity provisioning, supply assurance, cost control and achievement of quality standards. Before this, he worked as a management consultant in manufacturing and IT-in-manufacturing in various European countries.