

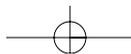


## Foreword

All too many managers are looking for “the next big thing,” and all too many academics and consultants are prepared to satisfy their hunger by offering a “revolutionary” nostrum on technology or management. The authors of this book, however, are a welcome exception. Not that their ideas don’t have currency; the notion of viewing organizations as a collection of services is certainly fresh, as are their up-to-date perspectives on Web Services and other new technologies. Yet the authors have the wisdom and modesty to acknowledge the importance of previously discussed ideas.

What is particularly refreshing about the book is its appeal to managers to practice time-honored virtues in a contemporary technological context. These virtues include process design and improvement, a focus on execution, and continual implementation of technologies and management approaches even when they are not particularly fashionable.

This may sound unexceptional, but think of how many organizations reacted to the e-commerce movement. Certainly many were slow to jump on the bandwagon before it became a full-fledged trend. In the late 1990s, virtually every company decided that it must have a Web presence and the ability to accept online orders. Some implemented these capabilities earlier than they needed to, but that was not the primary problem. The real tragedies were that many firms





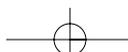
did not implement these capabilities in an integrated fashion, and that they virtually stopped aggressively pursuing e-commerce when the Internet bubble burst around 2001. Evidence of the lack of e-commerce integration comes from International Data Corporation, which estimates that only 10% of e-commerce sites are connected to the back-end transaction sites within their companies.

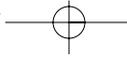
The integration isn't likely to happen soon, given the retreat from e-commerce and IT investment in general. Worldwide spending on IT declined in 2002 for the first year in decades. Most companies are focusing only on the most problematic aspects of IT, and few are investing in the IT-enabled future of their businesses. They are taking a "bulimic" approach to IT—binging on it when times are good, and purging themselves of it when the economics become more difficult.

It doesn't have to be this way. Kalakota and Robinson describe a small number of companies that aren't driven to IT by fad and fashion, but rather by the prospect of long-term competitive advantage. These organizations—including the giants General Electric, Intel, Wal-Mart, and a few firms, such as Eastman Chemical—weren't necessarily the first in their industries to embrace IT, but they are the most loyal and persistent adopters. They view economic downturns as an opportunity to gain share. While other companies cut back on IT investments, these firms "double down," expanding their commitments to technology and to efficient, IT-enabled business processes. This is one of the reasons why large, successful companies became and stayed profitable.

The need for ongoing digitization, however, is only one focus of this book. Two other key movements of the past several decades are integrated in a highly complementary fashion. The shift to a customer-oriented services focus, and the importance of process improvement and innovation, are also treated in detail. Interestingly, some of the same companies that are pursuing continuous digitization are also long-term advocates of service and process orientations. GE, for example, has had a formal, well-structured initiative to move into services (from what were once primarily manufacturing business units) for over seven years, and its Six Sigma process improvement initiative and WorkOut program have been in place for many years as well.

Although each of the components is familiar, together these three emphases comprise a truly new idea. That firms should continuously digitize their processes, redesign and optimize them, and bundle those activities into services for internal and external consumption has never really been stated in such a clear, cogent fashion. Kalakota and Robinson also provide insights about the specific content of processes—for example, that any customer-facing processes should be addressed from the beginning with a "multi-channel" orientation. The fact that





Web sites and call centers exist as important ways to reach customers should not be ignored, for example, when thinking about sales force automation.

The authors also don't stop at bright, "academic" ideas. Much of their writing focuses on how these ideas can be better executed. Just as organizations embrace one topic at the expense of another, our business society typically vacillates between the embrace of ideas and a strong orientation to execution. We are now in an execution phase—as evidenced by the difficult times for consultants, business conference providers, executive education units in business schools, and other branches of the "idea industry." The notable success of the book *Execution* by Bossidy and Charan is another piece of evidence. Interest in ideas will undoubtedly pick up, but what organizations obviously need is both ideas and execution. Most business books tend to slight the latter topic, but this tome is replete with both ideas and execution-oriented content.

I view the purpose of a foreword as getting the unconvinced potential reader to buy the book and read major chunks of it. I hope I've succeeded in that objective. If you work in business and have any inkling that technology and efficient, effective processes have a role in your success, then you need to go further into this volume. If you believe that services and service levels are critical to your success with customers, you need to read more. Even if you are totally convinced of these ideas, you'll find plenty of case studies and smaller examples to buttress your opinions. If you've read this far, you're probably in at least one of these categories—so take the plunge!

Thomas H. Davenport  
Director, Accenture Institute for Strategic Change  
President's Chaired Professor in Information  
Technology and Management  
Babson College

