

**"REENGINEERING AND ORGANIZATIONAL CHANGE:
LESSONS FROM A COMPARATIVE ANALYSIS
OF CASE STUDIES"**

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**Reengineering and
Organizational Change:
Lessons from a Comparative
Analysis of Case Studies**

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Abstract

Business Process Reengineering is fast becoming the terminology of many companies' efforts to reexamine their businesses to improve competitiveness. As such it is also the object of numerous reports and studies which define frameworks and suggest methodologies for organizational change. This report compares and contrasts several companies' efforts in implementing reengineering/change programmes. The successful elements of various change programmes as well as some of the challenges and "pitfalls" of the companies' efforts are emphasised.

1. Introduction

In today's business environment, customer needs evolve at an extremely quick pace due to the increased mobility of resources and to the development of media and technology. A constant challenge faced by today's management is *change*. In such a context, restructuring alone is proving increasingly insufficient in achieving and sustaining the improvements needed to remain competitive.

As organisations strive to be more competitive in today's challenging business environment, more of them are taking a radical look at how and what makes them successful. Some refer to this type of effort as Business Process Reengineering (henceforth referred to as BPR). As the phrase becomes more well-known, we see more definitions of it and it is useful to mention some of them to facilitate setting the context for this work:

"Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed."¹

"Reengineering has been simply defined as the analysis and redesign of business and manufacturing processes to eliminate that which adds no value"²

"Reengineering is a radically new process of organisational change that many companies are using to renew their commitment to customer service"³

Some common aspects can be identified in most definitions of reengineering. For one, there is an emphasis on rethinking different aspects of the business and existing work practices:

"It isn't about fixing anything, [it] means starting all over, starting from scratch"⁴

Much of the motivation for this rethinking seems to arise from observations that many current business practices are outdated and are no longer either suited for today's competitive situation or matched to the capabilities offered by current technology:

¹Hammer M. and Champy, J, *Reengineering the Corporation: A Manifesto for Business Revolution*, Harper Business, 1993.

²Parker, K., "Reengineering the Auto Industry," *Manufacturing Systems*, January, 1993.

³Janson, "How Reengineering Transforms Organisations to Satisfy Customers," *National Productivity Review*, Winter 1992-93, pp. 45-53.

⁴Hammer M. and Champy, *op. cit.*

“The problem appears to be...developed systems of production that were remarkably successful in their time but are no longer suited to a changed world”⁵

Also central to reengineering is an emphasis on processes. BPR proceeds under the assumption that a business can be defined as a set of inter-related processes that are logically and continuously evolving to satisfy a set of common customer oriented objectives. A process from this point of view could be defined as

- “... a sequence of activities that fulfils the needs of an internal or external customer”⁶
- “... a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer”⁷

In addition, today BPR itself, is becoming a process, an ongoing effort of *analysing and radically redefining the key processes* of a company. Regardless of how one views BPR and its components, its ultimate goal is to enable companies to achieve radical performance gains. The objective(s) of performance gains may differ from company to company - cost for some, speed for others and quality for yet others.

2. Objective & Approach of Study

BPR has generated significant controversy in the literature. Some such as Drucker⁸ have advocated that it is: “..new and it has to be done”, while others have been quick in dismissing it as a passing management fad. Some⁹ have taken the middle ground and have identified aspects of BPR which are new and innovative and other aspects which are “old” and have been seen before.

The objective of this study is not to debate whether BPR is new or old, but rather to analyse approaches, methodologies, tools and other supports that have been used in various BPR projects. By studying their similarities and differences, we hope to better understand the advantages and disadvantages and hence applicability of certain approaches to particular real contexts.

The approach taken and reported in this paper was to:

⁵Keith Grint, “Reengineering History: An Analysis of Business Process Reengineering,” Anglo American Insurance Company Limited, October, 1993.

⁶Harrison, D.B. and Pratt, M.D., “A Methodology for Reengineering Businesses,” *Planning Review*, March-April 1993, pp. 6-11.

⁷Hammer and Champy, *op. cit.*

⁸Peter Drucker on the cover of Hammer and Champy's book.

⁹M.J. Earl, The Old and the New of Business Process Redesign, Working paper # CRIM WP94/6, London Business School, 1994.

-
1. Examine the prevalent frameworks in use today and choose/develop one within which to analyse and characterise case studies of some companies' recently completed BPR projects,
 2. Analyse according to the framework several case studies to learn the various existing problems, desired goals, approaches, methodologies, and tools applied,
 3. Summarise the findings of the analysis according to similarities and differences among the companies, their problems, and their efforts in order to draw conclusions.

3. Framework

Many frameworks to analyse businesses and define change programmes have been developed, mostly by authors of management theory and within the major management consultancies. Two representative frameworks are the 7-S model and the Business Integration model.

Developed in the late 1970s, the 7-S model¹⁰ emphasizes the importance of achieving consistency and balance between the seven descriptive elements (7S's) for understanding the dynamics of organisational change and developing goals for a change program. The seven S's are:

- **Strategy:** a coherent set of actions aimed at gaining a sustainable competitive advantage (and as such the approach to allocating resources).
- **Skills:** distinctive capabilities possessed by the organisation as a whole as distinct from those of an individual.
- **Shared Values:** ideas of what is right and desirable (in corporate and/or individual behavior) as well as fundamental principles and concepts which are typical of the organisation and common to most of its members.
- **Structure:** the organisation chart and related concepts that indicate who reports to whom and how tasks are both divided up and integrated (reporting relations and management responsibilities).
- **Systems:** the processes and procedures through which things get done.
- **Staff:** the people in the organisation, considered in terms of corporate demographics (not individual personalities), i.e., their skills and abilities.
- **Style:** the way managers collectively behave with respect to use of time, attention and symbolic actions.

¹⁰Pascale, R.T. and Athos, A.G., *"The Art of Japanese Management"*, Simon & Schuster, 1981; McKinsey & Company

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¹⁰Pascale, R.T. and Athos, A.G., *"The Art of Japanese Management"*, Simon & Schuster, 1981; McKinsey & Company

The Business Integration Model¹¹ (see Figure 1) is built upon the principle that a consistent and comprehensive organizational change program should take place around the following four aspects of the organisation:

- **Strategy:** how the organisation plans to carry out its mission and objectives both from an external (customer-oriented) perspective as well as from an internal resources viewpoint.
- **Operations:** how the organisation operates to achieve its objectives; the processes that support the strategic plans, the organisation structure and the technology engaged.
- **Organisation:** how the organisation is structured to effectively meet its objectives; who communicates with whom and how.
- **Technology:** how the organisation uses technology to support its strategy, operations and organisation both from a customer as well as an employee perspective.



Figure 1: The Business Integration Model

Our objective in using a framework in this research was primarily:

- to facilitate consistent structuring and analysis of a set of very different business situations and change programmes, and
- to enable us to draw comparisons and conclusions among them.

Building on the important aspects of the frameworks explored we adapted them to a structure that best serves our objectives, namely to emphasise: 1) the business context at the start of the programme and the companies' goals at that time, 2) the efforts undertaken and whether or not they were successful, and 3) the results obtained. Thus, the adopted framework (see Figure 2) classifies the

¹¹Andersen Consulting

change efforts under *context*, *goals*, *successful elements*, *challenges/pitfalls* and *results* achieved. Within these classifications, successes and pitfalls are analysed in terms of culture, process, structure and technology.

The *context* highlights external and internal characteristics of an organisation's need for change and the constraints it may face in so doing. External elements include the economy, the industry, the competition, the marketplace, customer demands, etc.; internal elements include historical progression of the organisation, results of previous change efforts, cultural aspects, etc.

The *goals* stated are those of the change program undertaken and are not necessarily the organisation's high-level business goals. Many of them, in fact, lead to long term or continuous improvement of the firm but are being considered in this report because of their importance to the changes being designed and implemented.

The *successful elements* and *challenges/pitfalls* of the various change programs have been examined according to a framework that differentiates:

- *Culture*: shared values and experiences and common goals that "... a group learns over a period of time as that group solves its problems of survival in an external environment and its problems of internal integration";¹²
- *Processes*: a sequence of activities that fulfils the needs of an internal or external customer,¹³ the way work is done within the organisation and the way the BPR project is actually realised;
- *Structure*: can enable or prevent the necessary communication, knowledge transfer and customer contact; it defines who communicates with whom and how as well as the degree of individual or collective responsibility and accountability;
- *Technology*: plays a critical role in generating and transferring information.

Table 1 depicts the different elements which were used in this study to identify aspects of culture, process, structure and technology.

¹²Schein, Edgar H., "Organizational Culture," *American Psychologist*, February, 1990, pp. 109-119.

¹³Harrison, D.B. and Pratt, M.D., "A Methodology for Reengineering Businesses," *Planning Review*, March-April, 1993, pp. 6-11.

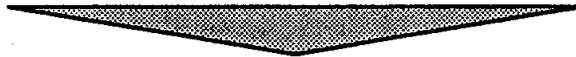
FRAMEWORK

Context

- Highlights external and internal characteristics of the organisation's need for change and the constraints it may be facing in doing so.

Goals

- Goals of the change program undertaken, not necessarily the organisation's high-level business goals.



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Shared values and experiences and common goals that «... a group learns over a period of time as that group solves its problems of survival in an external environment and its problems of internal integration»¹⁴ 	
Process	<ul style="list-style-type: none"> • "A sequence of activities that fulfils the needs of an internal or external customer"¹⁵, the way work is done within the organisation and the way the BPR project is actually realised. 	
Structure	<ul style="list-style-type: none"> • Can enable or prevent the necessary communication, knowledge transfer and customer contact; defines who communicates with whom and how as well as the degree of individual or collective responsibility and accountability. 	
Technology	<ul style="list-style-type: none"> • Plays a critical role in generating and transferring information. 	



Results

- Indicators of how the business and the organisation have changed as a result of the change programme.

Figure 2: The framework adopted in this study

¹⁴Schein, Edgar H., *op. cit.*

¹⁵Harrison, D.B. and Pratt, M.D., *op. cit.*

Culture	Process	Structure	Technology
Shared values and experiences and common goals of a group of people	How and when actions are implemented	Who communicates with whom and how; responsibility & accountability	How the organisation uses technology to support itself
<ul style="list-style-type: none"> • trust • incentive programs • information sharing • formality • sense of urgency • team vs. individual orientation • empowerment, autonomy • customer orientation • proven vs. pioneer mentality • quality focus • ability/willingness to change • sense of ownership • clarity of mission/objectives • technology readiness • looking to external sources • leadership 	<ul style="list-style-type: none"> • control methods • performance objectives • training • rules and procedures • team vs. individual • openness to make vs. buy • abrupt change vs. pilots • quality focus • project vs. task orientation • problem solving process 	<ul style="list-style-type: none"> • degree of delegation • communication • boundaries • autonomy • decision-making • hierarchy vs. network vs. matrix, etc. • empowerment • formality of rules, comm. • physical layout and geography • integration of functions • clarity of mission/objectives • career path definition • relationships with other firms • ties to suppliers 	<ul style="list-style-type: none"> • standardisation • automation • information sharing • availability of tools • maintainability • speed of development • effectiveness • efficiency • technological advancement

Table 1: Elements of our descriptive framework

4. Assumptions and Scope

Thirty-five case studies from the literature were examined of which sixteen were studied according to the defined framework. Case studies were chosen to provide a full spectrum of elements as related to the defined framework (Figure 2).

A list of the case studies analysed including their time frames and references is shown in Table 2. The Appendix of this paper contains the analyses of the case studies according to our framework. The results taken from the cases and reported in the *Results* sections of the Appendix are indicators of how the business and the organisation have changed. This type of result was not always available as some of the cases were too recent at the time of writing,

however, intermediary results are included as successful elements or challenges/pitfalls in these instances.

Company	Time Frame	Reference(s)
Bell Atlantic	1991-1993	Hammer, M. and Champy, J., <i>Reengineering the Corporation</i> , Harper Business, 1993, Chapter 13.
British Airways	1981-1990	Kotter, J.P., and Leahey, J.K., "Changing the Culture at British Airways," Harvard Business School Case, 1990.
Capital Holding Corp.	1988-1992	Stoddard, D.B., and Meadows, C.J., "Capital Holding Corporation -- Reengineering the Direct Response Group," Harvard Business School Case, 1992.
Daimler Benz Holding	1991-1993	Rossell, G. and Jick, T.D., "Daimler Benz Holding, Restructuring and Culture Change," INSEAD case, 1993.
Frito Lay	1988-1989	Applegate, L.M., and Wishart, N., "Frito Lay, Inc.: A Strategic Transition (C)," Harvard Business School case, 1989.
Hallmark	1989-1991	Hammer, M. and Champy, J., <i>Reengineering the Corporation</i> , Harper Business, 1993, Chapter 10.
Kodak	1985-1990	Balaguer, N.S., and Preuninger, J.W., "Kodak: Control through Information Management," Harvard Business School case, 1990.
Phillips 66	1985-1988	Applegate, L.M., and Osborn, C., "Phillips 66 Company: Executive Information System," Harvard Business School case, 1988.
Quantum	1988-1991	Christensen, C., "Quantum Corporation - Business and Product Teams," Harvard Business School case, 1992.
Trustees Savings Bank	1989-1992	Ellwood, P., Restructuring and Revitalizing the TSB, in <i>Successful Change Strategies: Chief Executives in Action</i> , B. Taylor (Ed.), pp. 11-20, Director Books, 1994.
Nissan	1985-1990	Rothbard, N., and Kotter, J.P., "Nissan, Cultural Change at Nissan Motors," Harvard Business School case, 1991.
Rank Xerox UK	1986-1991	Davenport, T. and Linder, J., "Rank Xerox, UK (A and B)," Harvard Business School case, 1991.
Reuters	1990-1992	Lorenz, C., "Restoring Order From Chaos," <i>Financial Times</i> , June 2, 1993.
Singapore Airlines	1993	Gee, F. and Jick, T.D., "Singapore Airlines, Continuing Service Improvement," INSEAD case, 1993.
Taco Bell	1983-1992	Hallowell, R. and Schlesinger, L.A., "Taco Bell Corp.," Harvard Business School case, 1991; Hammer, M. and Champy, J., <i>Reengineering the Corporation</i> , Harper Business, 1993, Chapter 11.
Wal-Mart	1979-1990	Stalk, G., Evans, P., and Shulman, L.E., "Competing on Capabilities: The New Rules of Corporate Strategy," <i>Harvard Business Review</i> , March-April, 1992.

Table 2: List of case studies analyzed

To help draw conclusions from the analysis, the case studies were classified according to the situation the company was in at the onset of the change effort. The companies were split into the following four classes:

- *Good*: positive financial performance, sustained growth, successful image in the marketplace, good market position.

- *Average*: standard financial performance, tough competition, unanticipated environmental changes.
- *Poor*: worsening financial performance, significant environmental changes, grossly lagging behind competitors, lack of recent business reevaluation, obsolescence.
- *Crisis*: serious financial difficulties, dramatic environmental changes, floundering strategies, poor management, lack of skills.

According to the above definition, the sixteen case studies were divided as shown in Table 3.

We realize that the information reported in case studies examined is incomplete and limits our study. However, we believe that the overall conclusions drawn are representative of problems and issues encountered in several reengineering/change situations.

Case	Classification	Time Spent (years)
Hallmark	Good	3
Singapore Airlines	Good	1
Frito Lay	Average	1
Kodak	Average	5
Nissan	Average	5
Bell Atlantic	Average	3
Wal-Mart	Average	11
Daimler Benz Holding	Poor	3
Quantum	Poor	4
Rank Xerox UK	Poor	6
Reuters	Poor	2
British Airways	Crisis	10
Capital Holding Corp.	Crisis	5
Phillips 66	Crisis	3
Trustees Savings Bank	Crisis	4
Taco Bell	Crisis	10

Table 3: Classification of case studies

5. Summary of Successful Elements and Challenges/Pitfalls

While many successful elements of change programs were uncovered in the cases, we concentrated our summary on those that were common among several companies. Some overall conclusions along the different aspects of our framework are provided below.

Culture

By looking at the success factors in the cultural dimension of the framework, we see that companies in a good position at the start of their BPR projects emphasised within their organisations the **need for flexibility and adaptability**.¹⁶ Most companies made evident that **coherent changes to incentive programs**¹⁷ are key to being able to adapt their culture.

Companies that were performing poorly at the time of their efforts also emphasised the need to **clarify corporate goals**,¹⁸ recognise the **need for radical change**¹⁹, the importance of a **focus on the customer**²⁰ and make changes not only to incentive programs but in **reward systems and status symbols**.²¹

Process

In examining and redefining their processes, all companies regardless of their initial situations emphasised the need to **focus on the core processes**²² and to take a **pilot project approach**²³. Companies in a poor or crisis position needed to make an additional effort to **focus their processes on the customer**.²⁴

Structure

Communication of plans²⁵ and **top management commitment**²⁶ were cited by all companies. Companies also used **cross-functional teams**²⁷ to examine and

¹⁶Singapore Airlines, Hallmark.

¹⁷Kodak, Quantum, Wal-Mart, Bell Atlantic, Daimler-Benz Holding, Nissan, Reuters, Capital Holding, Trustees Savings Bank

¹⁸Nissan, Rank Xerox UK, Capital Holding, Taco Bell.

¹⁹Nissan, Trustees Savings Bank, Taco Bell.

²⁰British Airways, Capital Holding, Trustees Savings Bank, Taco Bell.

²¹Daimler Benz Holding, Nissan.

²²Hallmark, Singapore Airlines, Kodak, Quantum, Rank Xerox UK, Reuters, Capital Holding, Trustees Savings Bank, Taco Bell.

²³Hallmark, Phillips 66, Frito Lay, Quantum, Bell Atlantic, Rank Xerox UK, Trustees Savings Bank.

²⁴Nissan, Rank Xerox UK, Reuters, British Airways, Trustees Savings Bank, Taco Bell.

²⁵Hallmark, Singapore Airlines, Nissan, British Airways, Trustees Savings Bank.

²⁶Hallmark, Phillips 66, Kodak, Daimler Benz Holding, Nissan, Rank Xerox UK, British Airways, Taco Bell.

²⁷Bell Atlantic, Daimler Benz Holding, Nissan, Rank Xerox UK, Reuters, Capital Holding, Trustees Savings Bank.

implement solutions, and concentrated on redefinition of jobs²⁸ and empowerment and delegation.²⁹

Technology

All companies recognised and emphasised the need for business objectives to drive Information Technology requirements³⁰ and made sure to tailor the solution³¹ to the business goals and desired changes.

The common successful elements are summarised in Table 3.

Culture	Process	Structure	Technology
<ul style="list-style-type: none"> • Recognition of the need for flexibility and adaptability • Coherent changes to incentive programs • Clarify corporate goals • Recognition of the importance of change • Change in status symbols 	<ul style="list-style-type: none"> • Focus on core processes • Pilot project approach • Heavy user involvement • Focus on customer • Emphasis on training 	<ul style="list-style-type: none"> • Communication of plans • Top management commitment • Cross-functional teams • Redefinition of jobs • Empowerment and delegation 	<ul style="list-style-type: none"> • Recognition of the need for business objectives to drive IT requirements • Specific solutions according to goals and changes implemented

Table 3: Summary of successful elements

It is difficult to draw definitive conclusions from the limited sample of our study about significant differences between approaches to BPR in successful and poorly performing companies. However some initial trends can be identified as depicted in Figure 3 (direction of the arrows points out the increasing relevance of the stated aspect).

Companies starting from a crisis situation³² exhibit a stronger reorientation towards the customer with increased redefinition of jobs and an emphasis on cross-functional teams and empowerment. This perhaps reflects the urgent need to make radical changes in such organizations. In contrast, successful companies³³ embarking on BPR projects seem to emphasize the need for adaptability to a greater extent. The focus on core processes, pilot projects, top management commitment and effective communication of plans seems to be equal in all companies.

²⁸British Airways, Trustees Savings Bank, Taco Bell.

²⁹Capital Holding, Taco Bell.

³⁰Capital Holding, Trustees Savings Bank, Taco Bell.

³¹Hallmark, Philips 66, Frito Lay, Kodak, Wal-Mart, Bell Atlantic, Rank Xerox UK, Reuters.

³²Taco Bell, TSB, Phillips 66

³³Hallmark, Singapore Airlines

While not enough challenges/pitfalls were discussed in the cases to provide an obvious set of common elements across classes of companies, specific challenges were identified which reinforce the conclusions drawn from the above analysis of the success factors. A matrix of these is illustrated in Table 4.

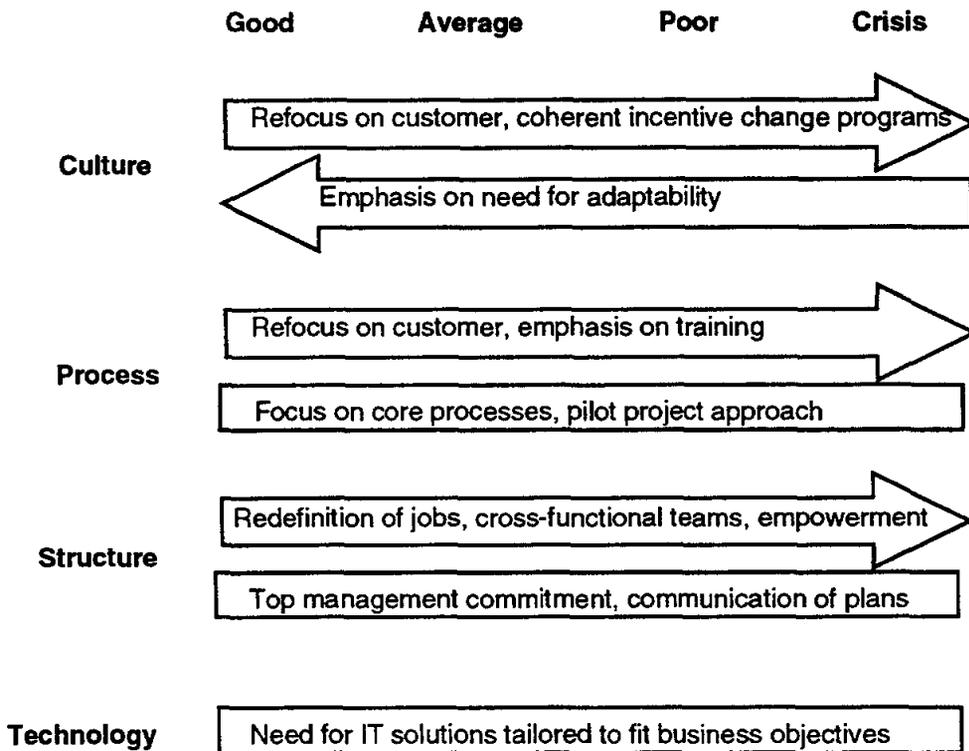


Figure 3: Trends across company types

6. Conclusions

The analysis and summary of this study has led to general conclusions regarding BPR/change projects. Companies should note the following regarding reengineering/change in today's business environment:

- Regardless of the financial position of the firm, all companies can benefit from *continuously reevaluating* the environment and how their organisation interacts with it.
- A first step in undertaking change is the need for *flexibility and adaptability* to change. This is especially important for relatively successful companies as they may not feel the urgency or see the benefits of change.
- The need to *focus on the customer* is essential to redesigning the business processes in the best manner. This is especially important for companies in difficult situations as the cases had stressed it many times. In fact, of the companies studied, those in good or average position already had a customer service orientation and those in difficulty had almost none.

	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • <i>Getting people to understand the need for change</i> • Eliminate the thinking that more information is better than less • Remaining focused on the customer • Need for constant reevaluation • Absence of role models • <i>Changing the evolved culture</i> • New skills required to deal with cultural changes • <i>Getting people to understand the need for change</i> • Need to consistently change incentive systems
Process	<ul style="list-style-type: none"> • No sense of urgency • Managing the speed of implementation • Balancing the perfection vs. cost tradeoff • Translating critical success factors into concrete actions • Keeping a global focus • Appropriate use of tools • Need to focus on organizational change not just on process redesign
Structure	<ul style="list-style-type: none"> • Lack of cross-team communication • Need to change process and structure at the same time • Need for a central person as change agent or sponsor • Need for clear responsibilities and roles • Need for broad organizational support • Need to commit resources (including funds) during hard times • Lack of skills; high employee turnover
Technology	<ul style="list-style-type: none"> • <i>Finding and implementing the right technology</i> • Managing growth • Need to remain focused on change, not just systems development

Table 4: Summary of challenges/pitfalls

- The need for *clear goals* is paramount to implementing successful changes. Without clear goals that are *communicated* consistently to all a corporation cannot get people working together to move the organisation in the same direction.
- Without *top management understanding and commitment*, no change program will survive. Furthermore, there should be one person (as opposed to an office or task force or committee) who is responsible for leading the effort. This person should be well-respected and have an important position in the organisation.
- Companies must *focus* on redesigning *processes* in order to gain maximum improvements from the change program. Focusing on functions or departments may lead to inefficient or ineffective solutions.

- Managing the pace of change is critical; *a pilot project approach* can help the organisation gain “early wins” to prove certain concepts and implementation techniques. At the same time it trains the team in the approach, and they can in turn help others effect changes.

<i>Obstacles</i>	<i>Proposed Solutions</i>
Getting people to understand and accept the need for change.	Identify a strong leader; provide training; communicate plans (vision) and problems.
Changing a culture which has evolved naturally and unnoticed over a period of years, sometimes decades.	Educate people to understand the business context (why the company is in the position it is in and where management wants it to be); get people involved (incentive programs, teamwork).
Identifying and keeping a strong leader for the effort.	Find someone respected who is committed, charismatic, and a good communicator; ensure that the person's position is important enough to have proper respect and empowerment to get the job done; provide the right incentive program for the person to stay.
Redesign of processes without considering all possible functions or departments (“in a vacuum”) can lead to a suboptimal solution for the business as a whole.	Use cross-functional teams to get people working together on the best way to redesign the business; provide appropriate tools and communication.
Refocus and process redesign efforts will most likely lead to an organisation in need of radically different skills.	Be sure to redefine jobs and responsibilities appropriately and train people for them.
Many tools and technologies are available which can distract or confuse the efforts.	Be sure that technology is justified by the needs of the business. Do not use technology for its own sake.
Implementation of a design which is no longer appropriate because of a change in requirements.	Change efforts and their expected results should be examined and alternatives evaluated. The speed of design and implementation must be carefully planned and monitored; changes should not be implemented just because they are in the plan, rather because they continue to make sense and will bring benefit.

Table 5: Some obstacles and their proposed solutions

- It must be remembered that *business objectives need to drive technology decisions* and not the other way around.
- Companies need to understand the *impacts* of changing one dimension on other dimensions and to *act coherently* (a framework can help identify the areas impacted and can serve as a communication tool).
- One should not underestimate nor under-emphasise the need to be *consistent* in implementing simultaneous changes to processes, infrastructure, incentive programs.

In addition to the above "success factors," companies undertaking efforts to change should note that some of the most difficult obstacles they may encounter and some proposed solutions are as indicated in Table 5.

Important aspects of BPR efforts uncovered and the corresponding major facilitators to overcoming related obstacles are summarised in Table 6.

	Com- muni- ca- tion	Strong Leader	Clear Corpo- rate Goals	Cross- func- tional teams	Incen- tive pro- grams	Train- ing	Clear roles & resp.	Cost benefit analy- ses	Pilot projects	Tools & Tech- nology
Understanding & acceptance of the need for change	✓	✓	✓		✓	✓	✓			
Need for flexibility & adaptability	✓		✓		✓	✓	✓			
Ability to change culture	✓	✓			✓	✓				
Maintaining process focus			✓	✓	✓		✓	✓	✓	✓
Maintaining customer focus	✓	✓			✓	✓				
Managing speed of change		✓	✓			✓			✓	✓

Table 6: Facilitators of BPR efforts

Appendix

The one-page summaries of the sixteen companies studied are included below. These summaries are structures along our framework described in Section 3.

It should be emphasized that the following summaries are based largely on the information reported in the case studies mentioned in Table 2. As the information contained in the case studies is incomplete, some aspects of the framework remain empty for several companies.

HALLMARK

1989-1991

Context

- Customers want more tailored products
- Customers segments are less homogeneous (increasing in number, decreasing in size)
- Small window of opportunity to get customer what he wants
- Market dominance: little threat from competition

Goals

- Preemptive competitive strike
- Reduced time to market (get products to market in less than one year)
- Improve information flow to/from market
- Develop products/promotional materials that consistently win over buyers and retailers
- Improve performance at the retail level
- Create company-wide cross-divisional teamwork (improve connection/cooperation between functions)
- Reduce cost
- Continuous improvement to quality
- "Work smarter, not harder"



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Created "The Journey" concept and used as a communication tool (made people believe change is a never-ending process) • Codified beliefs, values, strategic goals and how they relate to business priorities • Sense of ownership: people made to believe that they make a difference • Understanding that reengineering is not a completely planned act (flexibility) • Realism: don't do something because they simply said they would, they do it only if it still makes sense 	<ul style="list-style-type: none"> • Getting people to understand and accept changes; importance of people's perception (belief of people that they would be pushed simply to work harder) • Thinking that more information is better than less • Keeping customer focus
Process	<ul style="list-style-type: none"> • Identified and focused on leverage points (critical parts of the business) • Clear set of objectives based on improving performance at retail level • Process driven top-down • Pilots, early wins • Moved from sequential product development process to integrated team approach with direct communication linkages (100 people split into 9 teams) 	
Structure	<ul style="list-style-type: none"> • Top management buy-in/open support, leading the effort (dedication and allocation of resources as required) • Commitment of senior executives, time and energy as necessary • Communicated what would not change (beliefs, common values) 	
Technology	<ul style="list-style-type: none"> • Computerised bar code POS system • Decision Support System • Involvement of technical people in the design of the system as part of the team 	<ul style="list-style-type: none"> • Finding and implementing the right technology



Results

- Improved flow of sales data from Hallmark specialty stores to HQs (retail information is "the lifeblood")
- Ability to track effectiveness of a store layout/advertising campaign to reshape how they merchandise and market
- Integrated team products hit market 8 months ahead of schedule
- Teams review their own work:
 - Frees managers to do other work
 - Eliminates bottlenecks
 - Faster review process leads to better products
- Creation of organisational capability (structure/skills) that will enable Hallmark to adapt to continuous change

PHILLIPS 66

1985-1988

Context

- Takeover attempts (1984-85) force restructuring efforts
- Rapidly changing business requires more flexible structure and systems
- Provides down-stream operations for parent company
- Restructured 14 divisions into 9, changed more than half of the top management, thinned management support staff by 40%
- Centralisation of MIS and OAC (operational analysis and control)
- Swamped with data while starved for information

Goals

- Flexible system to evolve as the business changes (transparency of availability of information)
- Improved information
- New methods for measuring performance
- Better management support
- Streamlined, more effective management



	Successful Elements	Challenges/Pitfalls
Culture		
Process	<ul style="list-style-type: none">• Prototype approach to cut time and cost to implement systems using existing hardware and software• Involvement of functional analysts and executives in defining the information and user requirements	<ul style="list-style-type: none">• Need not to move too fast in order to be able to continue to support the existing system
Structure	<ul style="list-style-type: none">• Strong support of the President• Commitment of senior executives (leading to expansion to other areas)	<ul style="list-style-type: none">• Retirement of the system sponsor
Technology	<ul style="list-style-type: none">• Customised interface into the system (reports and menus)	<ul style="list-style-type: none">• Managing the growth of the system (growth had to be controlled, need to be careful as it was highly individualised)



Results

- Better and more timely information available from anywhere allows executives to be more effective
- Consistency and reliability of information across executives (they could discuss issues as opposed to whose numbers were correct)
- Changed the relationship between IS and executives (more trust and better understanding of what IS does)
- OAC analysts became more effective, worked more intelligently with the new system

SINGAPORE AIRLINES

1993

Context

- Increasingly competitive market
- Passengers willing to pay for service
- Industry pressures:
 - technology reducing need for travel
 - corporate decisions for slashing costs
 - labour shortage -> need for other nationalities
 - unions becoming increasingly militant
- Leading carrier in terms of service (awards)
- World's most profitable airline
- Flag carrier with no government subsidy
- Average age of airplanes well below industry avg.
- Attention to technology
- Policies & practices, long standing principles such as long term planning, steady growth, diversified route network
- Strong culture: mix of Eastern & Western; official language is English; loyalty to company and country; promotion by merit; homogeneity of culture/attitudes

Goals

- Plan to grow 8-10% per year until end of decade through
 - superior inflight service
 - most modern fleet
 - outstanding ground service
- Plan to double size of fleet by 2000
- Continue to operate a successful airline



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Emphasis on soft skills: attitude & style • Recognition and reward for outstanding customer service • Team spirit, encouragement to speak out • Importance of employee motivation • Not obsessed by procedures • Understanding of the need for continuous change • Encouragement of people to look for new ways to do things and to be flexible (go beyond the rules, dare to innovate, make judgements on behalf of customers, put themselves in customers' shoes) 	<ul style="list-style-type: none"> • Cannot be content with what you have done (could be demotivating) • No role models; SA is the trend-setter • Require constant vigilance and alertness to change • Increasing complexity of culture due to continuous expansion • Customers remember more easily what went wrong than what went right
Process	<ul style="list-style-type: none"> • Focus on core activities (aviation and supporting services) • Long term strategy (did not succumb to slumps/bumps) • Expansion at a measured pace • Emphasis on training • Monitoring of customer satisfaction (customer demands analysed weekly, response to complaints) 	<ul style="list-style-type: none"> • No sense of urgency: when things are going well, it is not easy to figure out what to change. • Perfection/cost trade-off (law of diminishing returns) • Customers increasingly demanding and other airlines catching up; need to look outside
Structure	<ul style="list-style-type: none"> • Alliances with other companies that share common traits • Communication of company problems and plans • Flat organisation: many small business, delegation • Management mobility facilitates broader vision 	
Technology		



Results

- Yet to be seen

FRITO LAY

1988-1989

Context

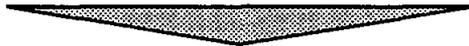
- Marketplace/competitors forcing reduced cycle time
- Rapidly changing complex markets
- Centralised and rigid structure
- High intrafunctional efficiency, but low interfunctional
- Presence of bottleneck processes

Goals

- Squeeze time out of business cycles
- Find a way to gain advantages of decentralised organisations without losing advantages of centralisation: create hybrid organisation that leverages the benefits of both
- Allow flexible timely information throughout the organisation



Successful Elements	Challenges/Pitfalls
Culture <ul style="list-style-type: none"> • Feedback sought and used to determine future direction 	
Process <ul style="list-style-type: none"> • Focus on measurement, analysis and planning parts of business cycle • Creation of "Pipeline" project to integrate information and optimise across the whole business • In-depth study of management needs; involvement of technical and functional specialists • Prototype of applications developed • Executive and functional management users involved in refining prototypes 	
Structure <ul style="list-style-type: none"> • Tools to access/analyze information available to all with criteria being ease of use 	
Technology <ul style="list-style-type: none"> • Extend IT architecture to increase speed, effectiveness, process integration • Comprehensive approach to creating information infrastructure • Cost/benefit analysis made for technology decisions 	<ul style="list-style-type: none"> • Understanding what information and analytical tools were needed at what levels and the best methods for packaging/presenting information to enable restructuring • How to create an international IT infrastructure



Results

- Better informed, more timely decisions
- Information widely available to managers in the field facilitates delegation
- Infrastructure allows for tactically competitive team-oriented organisations
- Hand-held computers allow sales people to make dramatic advances in knowledge, efficiency and control
- IS that provides information/analytical tools to decision-makers in the field and integrated information and tools to senior mgmt to support corporate-wide policy/strategic decisions

KODAK

1985-1990

Context

- Global economic situation against Kodak interest
- Manufacturing is capital intensive, high overhead operations
- Many industries served: complicated planning process for forecasting product mix/volume by plant
- Broad product mix per plant
- Long production cycle times (product availability problem: bad delivery performance)
- Plants at different stages of automation and different manufacturing control systems:
 - Process parameter variations are necessary
 - Differences in quality
- Plant performance based on volume produced
- Exceptionally high WIP and FG inventories
- Communication barrier: inconsistent and unavailable performance data, autonomous operations
- Lack of cross-border cooperation

Goals

- Improve delivery performance
- Improve consistency of product quality
- Reduce manufacturing costs



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Understanding the need to be market-driven • Willingness to invest where necessary • Change of management measurement system in order to incent the right behaviour regarding inventories • "Freedom of Information" rule: all performance data available to everyone • Importance placed on the careful use of EIS 	<ul style="list-style-type: none"> • Change decades-old operating culture • Convincing plant managers (incentive system did not correspond)
Process	<ul style="list-style-type: none"> • Program to uncover the 5-6 essential tasks Key Success Factors (KSF) • Prototype developed around KSF • Understanding the process bottlenecks • Senior VP/GM in charge of manufacturing involved in defining how information is presented 	<ul style="list-style-type: none"> • Difficult to translate the KSF into concrete information • Focus each plant on a specific set of products/processes for Kodak worldwide: <ul style="list-style-type: none"> - Measure/control processes globally - New techniques to organise manufacturing processes - New methods of managing businesses - Large capital investments required - Sharing of information ideas/plans
Structure	<ul style="list-style-type: none"> • Senior VP/GM stresses the importance of management buy-in and requires top-level executives to use the same set of information • Change reporting relationship for general managers in the 8 plants • Downsizing/replacement within 24 months if inventory levels not decreased (reduction in layers of management) 	<ul style="list-style-type: none"> • Change in VP/GM
Technology	<ul style="list-style-type: none"> • Understanding of importance to use technology for specific goals • Decentralised application development with central control; each plant developed an application to be used by all plants (better coordination) • EIS: consistency in information and timeliness of reporting 	<ul style="list-style-type: none"> • Data extracts difficult to obtain from disparate systems • Delays in data collection • Managers still relying on performance reports from individual systems (they were more comfortable with their own system)



Results

- Coordination and shortened decision-making time
- Rationalisation of manufacturing resources through a focused plant strategy
- New technologies/plant and equipment implemented

QUANTUM

1988-1991

Context

- Customer demanding shorter lead times
- Stiffer competition
- Slower market growth
- World's 3rd largest independent disk drive manufacturer
- Late in introducing new designs to market
- Non-standard component interface
- Previous attempt at team level coordination failed: technologically ambitious project, hub-spoke management style, program manager not knowledgeable enough to make necessary decisions (no credibility)
- Impala project successful: self-initiated functional interaction

Goals

- Broaden product line/provide follow-on as well as currently competitive products
- Reduce time to define, engineer and produce new products in high volume
- Push decision-making lower into the company, manage critical programs through teams
- Use teams to coordinate internal operations to meet market needs (transparency to customers)



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Performance assessment linked to team (but disproportionate to functional responsibility) 	<ul style="list-style-type: none"> • Team structure difficult for executives to adapt to, requires change in management style (confusion of responsibilities, thus of decision-maker)
Process	<ul style="list-style-type: none"> • Focus on processes not on functions • Care in selecting team members (trust, general management capabilities) • Overlap of design/test cycles: parallelism of processes and information shared to ensure learning 	
Structure	<ul style="list-style-type: none"> • Introduction of product teams to manage definition, development, introduction of new products with strict cycle time objectives • Two-tier team structure with experienced team managers • Carefully delineated responsibilities of product teams, functional organisation and executive staff • Collective responsibility for general management of project • Physical co-location of team members 	<ul style="list-style-type: none"> • Lack of enough experienced people for all the necessary teams: inadequate staffing of some teams led to low morale, frustration, conflict, failure to achieve objective, modest commitment • Lack of cross-team communication
Technology		



Results

- Product planning better integrated into the company strategy
- Team system gave model for empowerment and developed general management skills
- Organisation and people more results-oriented rather than task-oriented

WAL-MART

1979-1990

Context

- Late '70s K-Mart was king of discount retailing
- Wal-Mart was only a small niche retailer in the Southern US

Goals

- Provide customer access to quality goods when and where customers want
- Build and maintain reputation for absolute trustworthiness
- Develop cost structure that enables competitive pricing



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Culture of "service excellence" created and emphasised by founder (focus on satisfying customer needs) • Incentive system: stock ownership and profit sharing for employees • Emphasis on behaviour and exploitation of organisation capabilities • Close relationship with suppliers 	
Process	<ul style="list-style-type: none"> • Implementation of "cross-docking": no wait time • Efficient transportation system • Changes in managerial control • Emphasis on training (customer focus) 	<ul style="list-style-type: none"> • Difficult to manage cross-docking: requires continuous contact among distribution centres, suppliers, POSs
Structure	<ul style="list-style-type: none"> • Cooperation among stores, distribution centres, suppliers: less central control required 	<ul style="list-style-type: none"> • Traditional centralised pricing/promotion decision-making inconsistent with cross-docking concept
Technology	<ul style="list-style-type: none"> • Satellite communication system: POS data goes to vendors • Distributed IS • Video Link • Human Resources system 	



Results

- Largest, highest profit retailer in the world
- Reduced cost of sales by 2-3%
- Elimination of the need for frequent promotions (thus further savings)
- Shipping from warehouse to store in less than 48 hours allows replenishment of stores two times per week (industry norm is every two weeks)

BELL ATLANTIC

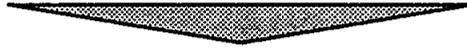
1991-1993

Context

- Previously monopolistic provider; being forced to change to competitive environment
- Competitors were offering access service within 15 minutes
- Response to customer was without regard to time/quality
- Each of seven ROCs had its own procedures for handling requests
- Long and expensive processing/hookup times (turnaround time 15 days while service time on the request was only 10 hours)

Goals

- Focus on customer needs
- Reduce cycle time to one day
- Reduce cost
- "Make changes, not fixes"
- Ultimately get to zero cycle time



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Set clear ambitious goals for teams • Creation and communication of systemic knowledge to understand processes as a whole • Provided encouragement when apprehension surfaced • Attitude of never-ending process 	<ul style="list-style-type: none"> • Apprehension of team members due to anticipated uncertainty of change
Process	<ul style="list-style-type: none"> • Asked customers what they wanted • Involved experts when appropriate (for process analysis) • Changed the order in which tasks are done (not afraid of radical changes) • Pilot projects implemented to prove ideas (staged approach) • Iterative feedback and communication between core and pilot team • Consistent and coherent approach in changing structure, technology and culture 	
Structure	<ul style="list-style-type: none"> • Chose team leader who was respected, good communicator, good teacher • Established two multifunctional teams: "core" to generate ideas and "pilot" to define and test • Empowerment used to cut process time, reduce expenses, eliminate defects 	
Technology	<ul style="list-style-type: none"> • Used IT to empower employees 	



Results

- Reduced cycle times
- Dramatically improved service
- Savings of \$1 M in one location in the first year
- Retained existing customers while attracting new
- Reduced labour costs

DAIMLER BENZ HOLDING

1991-1993

Context

- Heavy recession in the auto industry
- Socio-economic political situation: fall of USSR and German unification
- Japanese competition
- Increasingly complex production, technology
- Increasing customer demands (not willing to wait)
- Diversification: defence, rail, white goods (change in size and products)
- Organisation built on functional lines, strong hierarchy (7 management layers: bureaucracy-heavy, "Too many chiefs" syndrome)
- Strong culture: status symbols, employees are "special" (Paternal employer: lifetime employer)
- Promotion is reward for loyalty and hard work
- 9-month decision-making process
- DBH not serving customers (i.e., corporate units)
- Ownership structure allows time for change

Goals

- Flatten organisational hierarchy
- Shorten decision-making time in order to ensure flexibility in processing tasks and solving problems
- Create closer cooperation and improve know-how transfer
- Change mindset: "Change will continue"



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Abolishment of titles and status symbols • Regrading of posts and revaluation of salaries: manager/expert at equal status and interchangeable • Entrepreneurship/delegation to staff (try to have people build their own network) 	<ul style="list-style-type: none"> • Changes ordered from top-down, not coming down as living examples • Not enough bottom-up democratic involvement (not enough support) • No support from task force • Criticism was not communicated to appropriate level: openness goes against company's and national culture • Old culture overshadowing new management structure • People not used to "Free space" • Dissatisfaction with the abolition of titles, status symbols and perks (makes external communication difficult) • Rigidity led to attitude of resignation • Image is too Deutschland-oriented
Process	<ul style="list-style-type: none"> • Top-down, bottom-up approach • Fora and round tables • Manager acting as coordinator (expert knowledge at staff level) 	<ul style="list-style-type: none"> • Decision-making channels not well enough defined/engineered • Implementation process needs to be speedier and better directed
Structure	<ul style="list-style-type: none"> • "Top management" (corporate unit heads) designated as leader • Cross-functional task force of senior executives • Consulting group: members from all departments met with task force every three weeks (members chosen at random to eliminate bias) • Reduction in number of levels of reporting: increased number of subordinates for managers (increased span of control) 	<ul style="list-style-type: none"> • No one <i>person</i> responsible as leader • Randomly chosen consulting members may not have been best choices for change effort • Difference between reporting levels and management grades still unclear • Physical removal of hierarchies does not totally eliminate bureaucracy • Reporting/Approval process did not actually change • New structure demands different management skills
Technology		



Results

- Only 2-3% complete after one year
- Managers are more leveraged with larger span of control
- Structure changes expected to be completed in one more year (?), mentality change will take much longer!!

NISSAN

1985-1990

Context

- Lost 9% market share in 10 years
- First operating losses in 30 years
- Trade union difficulties
- Inward focus
- "Big corporation disease":
 - increasing number of layers
 - slow, inefficient communication lines
 - increased specialisation/departmentalisation
 - sectionalisation, parochial decision-making
 - elaborate rules/regulations
- Slow incremental problems that went unnoticed over time

Goals

- Create better environment:
 - support independence, delegation
 - remove hesitation in questioning rules
 - promote communication



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Issued statement of corporate philosophy: in touch with global market, sensitivity to customer needs, focus on global trends, employee emphasis • Focus on customer satisfaction • Changed promotion/pay policies from seniority to performance basis: reward system to promote innovative ideas • Reduction of status symbols to promote communication • Recognition of the need to continue working on changing culture 	<ul style="list-style-type: none"> • Reformation of corporate culture
Process	<ul style="list-style-type: none"> • Simultaneous engineering requires rapid information sharing • Top management fora to discuss issues • Involved middle-level managers and outside consultants in task force • Single manager oversees an entire development and production process to ensure consistency • Increased customer follow-up 	
Structure	<ul style="list-style-type: none"> • Personal commitment/communication and visits of president to convey message • New coordinating division to integrate automobile development process • Interdepartmental rotation of employees • Established customer complaint desk; new showrooms more customer-oriented • Decentralised decision-making: delegation of authority to plants 	
Technology		



Results

- First product (240SX) to benefit from the changed process won car-of-the-year award in Japan, captured 3,3% of the market in 6 months
- Beat direct competitor and previous leader (Honda Prelude) within 1 year

RANK XEROX, UK

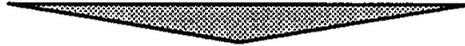
1986-1991

Context

- General recession impacting industry
- Strategic shift toward providing integrated office system solution
- Revenues and profits down
- Functional organisation with strong emphasis on marketing, sales and service
- Independent measurement/improvement of activities
- Ineffective in capitalising on technological excellence
- No responsibility taken for overall processes
- Obsolete Information Systems

Goals

- Create integrated organisation and systems to grow and offer integrated products
- Create orientation to business processes that cut across functions



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Clear set of corporate goals • Policy deployment: communication of mission, objectives of the organisation and how they relate to the employees 	<ul style="list-style-type: none"> • Inconsistent changes with what people were used to: looked at culture as a result of system development
Process	<ul style="list-style-type: none"> • Focus on processes that directly touch customers (prioritisation of areas to redesign: customer satisfaction, financial management, personnel management) • Created high-level objectives for each process • Appraisal of external environment • Pilot of most important processes with two dedicated full-time teams: front-end process addressed with reengineering approach; back-end process approached with process improvement 	<ul style="list-style-type: none"> • Focused on streamlining existing processes instead of radical change • Use of tools forced level of detail and technological competence that made senior management withdraw from the effort • Reengineering approach extended beyond the front-end of the process making it difficult to quantify the benefits
Structure	<ul style="list-style-type: none"> • Asked senior managers to act as a team; processes assigned to individual members • Created new cross-functional roles (assignment of Director to each) • New career system focused on facilitation skills and cross-functional management 	<ul style="list-style-type: none"> • Lack of broad organisation support
Technology	<ul style="list-style-type: none"> • Realisation that IT would play an important role in fundamental changes 	<ul style="list-style-type: none"> • Heavy focus on system development instead of system change (not much focus on people, organisation)



Results

- Entire organisation has become more process-oriented
- Some productivity benefits in building systems
- Financial improvements (difficult to attribute to BPR only)
- Could find no evidence that the goals were achieved
- Better understanding of how the company works
- Billing time reduced from 112 days to 1 day 4 hours

REUTERS

1990-1992

Context

- Financial deregulation
- Boom of the 1980s
- Orders handled incorrectly, late, or not at all
- Customers not served well: wait time for hardware was 3 to 6 months, time to receive bill was 2 months, time to collect payment was 3 months (thus customers were not paying)
- Compartmentalisation: 1 order processed by up to 12 departments (24 hand-offs), customer served by many people in different locations

Goals

- Reduce time to install customer systems
- Improve billing/collection of payments



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Incentive program based on commission once orders were installed (rather than when received) • Attitude of mutual help and "covering" for each other (teamwork) 	<ul style="list-style-type: none"> • Teams want more latitude
Process	<ul style="list-style-type: none"> • Clear process definition (identified 5 consecutive steps) • Redesigned customer order life cycle (steps previously done sequentially now done in parallel) • Performance criteria/timing clearly established • Training was draconian and dictatorial rather than consultative and empowering 	
Structure	<ul style="list-style-type: none"> • Split organisation into 4 geographic divisions to get closer to customers • Set up small multifunctional teams located in same desk area ("account teams") 	
Technology	<ul style="list-style-type: none"> • Up-to-date system designed to suit the new process (automated clerical functions) 	



Results

- Reduced number of hand-offs from 24 to 4
- Company records straightened out
- Created rather than eliminated jobs
- 95% of installations on time (3-4 weeks for hardware, 1 day for service)
- Bills 98% accurate
- Customer dissatisfaction reduced to less than 10%

BRITISH AIRWAYS

1981-1990

Context

- Recession, low forecasted passenger traffic
- Deep losses 1981, lack of money (technical bankruptcy)
- Diverse ageing fleet
- Increased costs: fuel, staffing,...
- Military mentality (focus simply on aircraft arrival/departure)
- No focus on productivity, efficiency
- Functional divisions; distinct split between two former companies that had been merged into one
- Lack of unifying corporate culture; divisional loyalty prevented common focus and economies of scale
- Inward focus on industrial relations/organisational. conflicts; not enough management time devoted to managing the changing environment

Goals

- Save the airline



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Shared belief: paramount importance of customer service • Commitment to customer service (change leader as active role model spending time with staff to reinforce the message, personal involvement) • Understanding the need for radical change • Employees treated with respect and motivated by communication of management support 	<ul style="list-style-type: none"> • Increased costs complicate effort to fine-tune cultural change
Process	<ul style="list-style-type: none"> • Training focused on human interaction • Consistency: match between message and delivery (all employees participated regardless of rank) • Manager training: trust, leadership, vision, feedback • Management understanding of the need to maintain momentum 	
Structure	<ul style="list-style-type: none"> • Strong leader with business venture experience, strong ties with business community and government • Created "turnaround team" • Reduced staff by 20% in 9 months and froze pay (massive cuts in office and administration) • Closed routes, stations, engineering bases • Communication (internal/external) 	<ul style="list-style-type: none"> • Cost cutting while simultaneously keeping people focused on delivering quality
Technology		



Results

- Improved financial strength
- Increased productivity 67% in the late 80s
- Shift from strongly British engineering and operationally driven culture to one which emphasises global marketing through customer service
- Mentality of people changed from transportation provider to service provider
- Out of bankruptcy to one of the world's most respected airlines
- Over subscription by 11 times of public offer clearly showed interest in the changed BA

CAPITAL HOLDING CORPORATION

1988-1992

Context

- Insurance: slow growth business
- Days of mass marketing were over
- Regulatory pressures
- Fragmenting market
- Slow response time to customer needs
- Mix of different products/business information confused what was happening in the core business
- Profitability was suffering from excess mortality and increasing expenses
- Had product based approach in an organisation structured around functions
- Curse of departmentalisation
- Lack of responsibility to individual customers
- Minimal employee training
- Employees rewarded for functional expertise

Goals

- Strengthen relationship with existing customers
- Target customers better
- To be an insurance company that cares about its customers
- Build new models from the ground up: change business to customers' terms



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Clear vision/communication program(dual focus: customer and market) • Understanding of the need to do business on customers' terms • Recognition of the need for radical change: strategy, culture, process, products • Begin with cultural audit to understand employees' attitude and base points • Redesign of reward/promotion system to incent teamwork and learning 	
Process	<ul style="list-style-type: none"> • Strategic planning process to enable implementation • Modular approach to allow for constant change and improvement (learning by doing in manageable chunks) • New business model developed by the employees and used as communication tool (ownership) • Revamped training and development program 	
Structure	<ul style="list-style-type: none"> • Cross-functional multilevel teams with help of outside consultants • Self-managed customer management teams 	<ul style="list-style-type: none"> • Massive redesign of infrastructure at the same time as supporting current business
Technology	<ul style="list-style-type: none"> • IT used as critical resource • Focus on the need for tools to allow understanding of current and potential customers • Created front-end to access old transaction-based systems • Prototyping expert systems for claims management 	



Results

- Yet to be seen

TRUSTEES SAVINGS BANK (TSB)

1989-1992

Context

- Pressure on "prices"
- Large and loyal customer base conflicting with new strategy
- "Haemorrhaging" recently privatised retail bank with floundering strategy and poor management:
 - broadening product line with uncompetitive products
 - declining profitability
 - confused strategic objectives: retail vs. commercial
- Redundancies and overlaps in the back office

Goals

- Become the leading financial retailer in the U.K.
- Cut costs and enhance cross-selling in the branches



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Focus on customer and people • Understanding of corporate strengths and weaknesses • Understanding of the need for multidimensional redesign • Permanent culture shift to focus on continuous improvement • Coherent performance monitoring and reward system 	<ul style="list-style-type: none"> • Processes and incentive systems previously incoherent with new business direction • Previously unclear articulation of vision
Process	<ul style="list-style-type: none"> • Understanding of the need to be quick, focused and deep, and to balance change vs. the benefits of change • Identified core processes and improvement opportunities with the help of external consultants • Clear high-level performance objectives • Analysed customer and market • International benchmarking study • Improvement opportunities judged by potential benefits, not restricted by organisational constraints • Implemented changes in a modular and incremental fashion: iterative pilot process approach • Training to be extremely customer service-oriented; development of appropriate managerial skills • Synchronous change of organisation and IT support 	<ul style="list-style-type: none"> • Identification of various process redesign options and evaluation of their impact
Structure	<ul style="list-style-type: none"> • Cross-functional change management team with senior executive involvement • Teams given mandate to redesign core processes/organisation structure • Removed administrative tasks from branches leaving them free for service and sales • Task forces to assess the effort • Detailed communication strategy • Clear definition of management responsibilities/job descriptions 	<ul style="list-style-type: none"> • Staff not properly trained and lacking information support • Risk of degrading service levels by moving backoffice away from branches
Technology	<ul style="list-style-type: none"> • Viewed information as a strategic asset ("IT is key") • Technology dictated by business objectives • Automated only <i>after</i> redesign • Advanced technological support of core processes: expert systems, modular approach (flexible architecture) • User friendly systems 	



Results

- 100 million ECU profit improvement after payment of cost of capital
- Successful integration of banking and insurance
- Significant productivity gains

TACO BELL

1983-1992

Context

- Negative growth (-16%) in a growing industry (+6%)
- Assuming what was good for the customer without asking
- Becoming smaller, less profitable
- Top down command and control organisation, multiple layers of management
- Operational handbooks for everything, too much complexity (micromanaging)
- Focus on internal processes not on customer

Goals

- Turn from regional Mexican-American restaurant to a "national force"
- Reorganisation of Human Resources to be more innovative, customer focused
- **Dramatic redesign** of operational systems
- Reduce costs of all non-value-adding activities



	Successful Elements	Challenges/Pitfalls
Culture	<ul style="list-style-type: none"> • Created a vision (thought the unthinkable): belief that they are a retail company not a manufacturer • Understood they needed to create a true paradigm shift (customer focus) • They expected resistance and were ready to deal with it • Viewed as a continuous process: new growth, new ideas, mentality that change begets change 	<ul style="list-style-type: none"> • Greatest enemy was tradition-bound ideas to which many employees hung
Process	<ul style="list-style-type: none"> • Turn customers into key element of TB business proposition: ask customers what they want • Focus on enhancing activities that bring value to the customer; change or eliminate those that do not (customer was the starting point) • Outsourcing of food preparation 	
Structure	<ul style="list-style-type: none"> • Top management commitment, hands-on visits to people involved • Eliminated management layers • Redefined nearly every job and changed job titles to reflect new responsibilities and required skills: creation of market manager position • Empowerment: "you are in charge now" mentality (P&L and performance measures) • Managing by exception encourages innovation and empowers 	<ul style="list-style-type: none"> • Exodus of skilled people
Technology	<ul style="list-style-type: none"> • Every technological innovation had to prove that it enhanced service and reduced costs • Advanced IT systems • TACO system eliminated paperwork, administration time 	



Results

- Rethinking of who customer is (customer was someone who ate at TB, customer now defined as everyone who eats)
- Increased earnings by 31%
- Growing (22%) in a stagnant market
- Higher profitability
- Higher customer satisfaction (tracked on a continuous basis)
- Increased peak capacity
- Lower average pricing
- Synergy of processes

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 Chapter 11

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