

Date: Tue, 18 Dec 2007
From: Ned Ruete <nruete@sbcglobal.net>
To: Sandor Schuman <:sschuman@albany.edu>
Subject: RE: [GF] Seeking Info. On BPR and Process

Here are two articles:

Managing Reengineering Polarities: People and Technology, Process and System, and Answers to the Most Frequently Asked Questions about Business Process Reengineering, or, Everything You Always Wanted to Know about BPR but were Afraid You Wouldn't Like the Answer

Each is in its original form, not updated. When BPR became a bad word, I stopped writing about it.

They are presented in chronological order. The FGIPC paper was written after *Reengineering the Corporation* came out but before *Reengineering Management*. Some of the ideas about the system pushing back and adding command and control to control the change instead of letting the new way replace command and control being too costly to maintain are not yet developed. These papers are basically optimistic - the pessimism sets in later.

**Answers to the Most Frequently Asked Questions
about Business Process Reengineering**

or

Everything you Always Wanted to Know about BPR
but Were Afraid You Wouldn't Like the Answer

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The views contained in this paper are those of the author and do not necessarily represent the views of the Coast Guard or of the Research and Development Center

The federal government does at least one thing well: It generates red tape. But not one inch of that red tape appears by accident. In fact, the government creates it all with the best of intentions. It is time now to put aside our reverence for those good intentions and examine what they have created -- a system that makes it hard for our civil servants to do what we pay them for, and frustrates taxpayers who rightfully expect their money's worth.

Vice President Al Gore
Report of the National Performance Review

There is a lot of confusion about business process reengineering (BPR). Everyone claims they know what BPR is, but no one agrees. Everyone says they have five years experience doing it, even though no one ever heard of it three years ago. I first worked with BPR principles when I was teaming with CSC Index, shortly after they collaborated with Michael Hammer to invent the BPR concept and develop the process. Below are some of the most commonly asked questions about BPR, along with some answers I have developed during three years of studying and applying the concept and the process.

Q: What is BPR?

A: Business process reengineering is defined by Michael Hammer, originator of the expression, as

The fundamental rethinking and radical redesign of an entire business system -- the business processes, jobs, organizational structures, management systems, values, and beliefs -- to achieve dramatic improvements in critical measures of performance.¹

This statement gives rise to a theorem of BPR and three corollaries. The theorem is this: there is nothing more to BPR than that statement. It is the definition, objectives, purposes, products, and methods of BPR. Everything else that is said or written is just examples. BPR is nothing more than the recognition that others are doing it much better than you, and they are doing it in a radically different way. To get much better, you have to get radical, and that means throwing out a lot of old values and beliefs that are in your way. BPR is not a cookbook approach to radical improvement, but rather a recognition that radical improvement is possible and a commitment to do what it takes to go after it.

The first corollary is that reengineering is like winning. There are as many ways to win as there are sports, teams playing those sports, and games played by those teams. There are as many ways to reengineer processes and rethink systems and values as there are organizations, processes in those organizations, and problems with those processes. You can get back to fundamentals; pull some razzle-dazzle; practice, practice, practice; publish a new play book; rethink the nature of the game; borrow from others; or invent something new. The critical thing is to think like a winner: believe that radical improvement is possible.

The second corollary is that BPR is a personality multiplier. There is a Star Trek episode where some alien force has magnified all the deeply-repressed parts of the crew members' personalities. Sulu is roaming the corridors stripped to the waist challenging people with a saber, Uhura is depressed by fears over growing old, Scotty is waxing lachrymose, and Spock is too busy with romantic poetry to serve as science officer.

Reengineering can be like that alien force. The call for radical change gives people a chance to throw off the values they never liked anyway and focus on what they consider

¹This definition is not from Hammer and Champy's book. That definition does not contain the parenthetical footnote. However, I have seen it quoted this way by three BPR contractors and therefore consider it authoritative.

important. Bottom-line types use it as an excuse to cut employee benefits and organization-development types use it as an occasion to put forward work/life issues. Left brain people want to base change on detailed data collection and statistical analysis and right-brain people want to do all the things they've always known were right but couldn't prove with numbers. Workaholics want to fire everyone who expects holidays and vacations and technical people want to solve all the problems with information systems. Some people reengineer to make the organization better for their shareholders, some for their employees, and some to make it better for the world.

Reengineering is a chance to examine conflicting values and priorities, select the ones that are appropriate, and reject the ones that have outlived their usefulness. But be wary of anyone that tells you they know what values and beliefs are right for your organization.

The third corollary is that allowing people to follow their natural tendencies when doing reengineering will not produce radical change, it will produce amplified sameness. If you are going to change values and beliefs, the people charged with doing that have to study alternatives: other ways of organizing, managing, controlling, working, reporting, rewarding, measuring, and thinking about the work of the organization.

We will return to these corollaries as we look at other questions.

Q: What does it take to do BPR?

A: There are at least three distinct disciplines required for business process reengineering. First, it is about reengineering processes. In a fundamental way, most processes are dysfunctional and need to be redesigned, starting with the core, most important processes. By processes, we generally mean work flows: what activities are undertaken to accomplish outcomes, and how those processes are divided among people, machines, and parts of the organization. The dysfunctions have generally resulted by accident, neglect, or deliberate design based on assumptions that don't fit with today's world.

Second, for the kinds of reengineered processes that are making a radical difference in other organizations to work in your organization, some fundamental management changes in structures, systems, values, and beliefs must take place. People have to work in different ways, different kinds of behavior have to be rewarded, managers have to find a new role. This is where the second corollary comes in: people who have been calling for certain kinds of change for years will find in BPR a reason to call for it again.

Third, both the process change and the value change require a solid knowledge and application of change management.

Q: How is BPR different from what we've done before?

A: Note very carefully in the definition what has to change to have BPR. Many people stop at changing how people do their jobs: automation is the most frequent, although some get really radical and decide that some steps don't add value. Some make some superficial changes to the organizational structures. These two or three items give you some process redesign, but not BPR. BPR requires the next three changes as well: changing the management systems, values, and beliefs. What has been done is lots of process redesign and lots of reorganization, but most of it has been an attempt to find a more efficient or effective way of doing what we have always valued and believed had to be done. In some rare cases, there has been the kind of fundamental

change that produces radical improvement. BPR as a buzzword calls attention to the fact that the high-performance organizations are doing things in fundamentally different ways than most of the rest of us, and we have to call some things into question that are deeply held if we are going to catch up with them.

That is not to say that there cannot be useful gains from only doing the first three, but there will not be the dramatic improvements that BPR is famous for. For example, you can reduce administrative costs by five or maybe ten percent by redesigning some of your processes: simplifying and combining forms, eliminating redundant jobs, or automating data entry. But you won't reduce it by 40% with these approaches. That requires changing your beliefs about what it means to administer something, removing the value of absolute autocratic control and placing value on empowering action at lower levels, and modifying your management systems to emphasize facilitation of actions of lower managers, not second guess them. Then and only then can 80% of the administrative reports and actions be removed.

Q: What are some of the areas where we should look for new beliefs?

A: 1) Management systems. This country is experiencing a management crisis. For the last two hundred years, our productivity in making and moving things has been going up, and that increase is what fueled the prosperity of the 50s, 60s, and early 70s. But today, 75% of the cost of goods is not in making them, but in managing information. Fully 75% of our work force is knowledge workers. The productivity of knowledge work is going down, not up, and that decline is what is fueling today's recession.

We don't even know how to measure knowledge work productivity. It is not number of pages typed or keystrokes captured or letters written or purchase orders processed or invoices paid. It is the amount of labor required to purchase things, approve things, plan and schedule things, budget things, track things. That measure of productivity is reduced everytime we add a new control process or management system.

2) Information. The organization works on information. Traditional management information systems grew up based on two facts:

Information had to be communicated verbally or on paper

Some people had to have detailed information about a small area of work and others had to have big-picture information about the whole organization.

In the traditional organization, no one could handle enough information to make detailed decisions that met the strategic goals of the organization without a lot of direction. So management hierarchies grew up, with the layers serving as filters and amplifiers of information.

Today the opposite is true. Things are changing so fast that we don't have time for things to flow up and down. But electronic information systems can provide instant access to all the information needed to make strategic decisions or take front-line action.

The modern model has to be that of the orchestra, the hospital, or the Catholic Church. A symphony orchestra has as many as 350 people under one conductor; a patient care team may have 20 or 30 professionals working as a self-managed team; and the Catholic Church

administers 6 million parishioners world wide with 4 layers of management. These systems work because everyone knows what the objective is and has the same sheet of music, the same patient chart, or the same bible to work from. Give people the information they need and point them in the right direction.

3) People. If traditional control systems are too slow and too expensive, we need to replace them. Most high-performance organizations have found that the most effective replacement is employee trust and empowerment. Give people the ability to focus outward on customer needs and overall organization aims, and they will.

Management is basically about the control of variances. Deming's revolution in production-floor quality was to put the tools, information, and authority to control variances as close to where they occur as possible. Doing the same for knowledge work not only produces better control than top-down management, it is also the only way to increase the productivity of knowledge workers.

Q: Is TQM the same as BPR?

A: No... and yes. The TQM process is not the same as the BPR process. A lot of people who want to think they are doing reengineering say it is the same thing as TQM. They are really doing incremental process improvement, not radical reengineering. TQM is not set up to handle the really radical changes of reengineering.

However, bringing TQM into the organization and doing it successfully requires all six of the kinds of radical change that BPR is looking for, and therefore successful implementation of TQM is an ideal example of what it means to reengineer. Doing TQM incorrectly can also be a perfect example of what can go wrong if reengineering is done incorrectly. TQM is not a set of processes. Many organizations have adopted TQM processes, either in place of or in addition to their traditional processes, and after a few years taken them out, finding they were too expensive and they couldn't afford them. The reason the procedures prove too expensive is that the organizations don't adopt the attitudes and beliefs of TQM. TQM says "I no longer think that everything can be perfect and will be with enough planning and direction from above. I now believe that everything can get better, and will if I empower people on the front lines to make everything the best they can." Empowerment means giving them the tools, the authority, and the information to measure quality and take action to improve it. It requires changing values, beliefs, and management systems. Only doing part of reengineering without being willing to give up some fundamental beliefs can cost money and productivity.

Q: Isn't BPR just a euphemism for downsizing?

A: Many people have used it that way (especially bottom-line types: see the second corollary), but that is not what true BPR is really about. BPR often allows the reduction of head count in certain areas. However, if done correctly, BPR increases the ability of employees to add value, making it rewarding for the organization to use the displaced people in other areas of endeavor. If it isn't done right, downsizing can kill the organization by asking fewer people to do the same work, resulting in overtime costs, stress, increased health care costs, low morale, low quality, and costly employee turnover.

Q: Do I have to reengineer? Things seem to be working okay. How do I know if BPR is right for my organization?

A: Make no mistake, BPR is not for everyone. As the TQM and downsizing examples show, trying to make fundamental change can be expensive, and if not successful the cash drain or adverse impact on productivity can make the organization fail. BPR is aggressive treatment that can kill the patient. It is not only fixing the symptoms, but involves surgery, invasive therapy, and changes in lifestyle. Don't enter into BPR if what your organization has is a common cold: only do it if you have heart disease, cancer, or some other life-threatening illness.

But the fact is, most government agencies do have a life-threatening disease. We're facing shrinking budgets. We have been mandated with dramatic reductions in administrative expenses. Do you really know how much it costs you to perform your processes? One institution I worked with found that their average cost to process a purchase order was \$100, and the average value was only \$200: 33% of their procurement costs were in their own paperwork!

Q: What is the first step in BPR?

A: First you need a diagnosis. Is your organization sick? Is it terminal? What illness does it have? Heart disease and cancer have different recovery regimes: heart disease requires reducing stress, cutting fat and cholesterol, and getting moderate exercise, while cancer requires foods and vitamins that boost the immune system and frequent checkups. Here are some common organizational maladies and the recommended treatments:

Condition	Therapy
Stifling bureaucracy	Rethink what "management" means
Crushing overhead	Flatten the organization
Excessive labor costs	Employee empowerment Remove rules and job boundaries that limit the ability to add value Participative management
Poor morale	Change tangible and intangible reward systems Listening sessions See also "Excessive labor costs"
Poor quality	TQM -- but REALLY <u>DO</u> IT!!!
Lack of innovation	Cross-functional teams See also "stifling bureaucracy"
Low sales or low customer loyalty	Customer-oriented organization See also "Poor quality"

Note that each of these sounds simple, but to make them happen requires that a lot of people rethink the very nature of their responsibilities and their role in the organization.

Q: What is the most important factor in BPR success?

A: Remember that only the mission of the organization is fixed: everything else you do is open to question. The key to making and coping with change is to remove all fixed processes, procedures, and policies, and instead rely on everyone having a clear vision of success and taking initiative to get there.

Hierarchies, reporting requirements, control systems, reward structures, position descriptions, processes, functional separation, everything you learned in B school or from your mentor or read in the policy manual or employee handbook are only things that have been used in the past. They are not fixed, immutable principles. There are other ways of achieving any goal. Consistently ask yourself, "What are we trying to achieve with this? Is this the best way to get there?" Be skeptical, and constantly be learning about what you are doing, what others are doing, and how you can do things differently.

Q: Where do the reengineering ideas come from?

A: The bad news is that the ideas do not magically spring from doing BPR. BPR is a process, not an answer. The ideas have to be there in the people who are in the organization. The good news is that the ideas almost always ARE there in the organization. Listen in the elevator, around the water cooler, on the employee shuttle, in your car pool. There is energy there for change: the trick is to focus it.

Q: How do I get the ideas out?

A: Find a good consultant. You need someone who has done it before to guide you through the process. Even if some of your management team has a vision of how things could be different, you need a process to bring the whole management team to a consensus vision. Even if you have an active organization development group, they are probably not used to managing change on this scale. Be sure you get a consultant that is really doing BPR, not just relabeling the kind of organizational consulting they have been doing for 15 years.

Q: How do I choose the right consultant?

A: Remember the second corollary. Ultimately, BPR is about examining values and beliefs of an organization. Some are in conflict with others, and some are just out of date. Beware of the consultant who claims to know what your organization needs. The consultant has to be able to help your organization find the values and beliefs that are right for you, and then help you move forward.

Q: How do I deal with resistance to BPR?

A: Resistance is a good thing. Resistance is caring about how things work and what is going to happen. It is much easier to deal with resistance than with apathy. Resistance is energy, and energy can usually be made to work for you once you are able to identify the concerns that cause the resistance and address them. The purpose of BPR is not to fulfill anyone's political agenda, but to move the whole organization forward. If any of the ideas that are being proposed make some people unduly concerned, maybe they need to be rethought. Remember, the new ideas are no more sacred than the old ones.

Q: Where can I learn more about doing BPR?

A: There are a few good books and some excellent courses on the process of business process reengineering. But what is needed first is a clear vision of how things can be different, and what different values and beliefs are needed to make that happen. For this, start with the Vice President's *Report of the National Performance Review*, September 7, 1993. It describes the end state of good government. Then read the management gurus. As early as the late sixties Peter Drucker in *The Effective Executive* was telling us to get managers to focus outward, not inward, and to eliminate job descriptions and performance reviews. Drucker's latest books, *Managing for the Future: the 1990's and Beyond* and *Post-Capitalist Society* are full of models of what an

organization must be like to survive today, as are Tom Peters' *Thriving on Chaos: Handbook for a Management Revolution*, Michael Barzelay's *Breaking Through Bureaucracy*, and Peter Vaill's *Managing as a Performing Art*.

The problem with these models is that they talk about the end state. Most of Tom Peters' examples are of small, entrepreneurial organizations who grew up doing it right. Most existing organizations who need BPR need it because they are doing it wrong and have to make some dramatic changes. Management gurus are not good at telling us how to make the change: management has historically been concerned with maintaining the status quo, not coping with change. You need to learn about change as a discipline by itself. One excellent book is *Organizational Transitions: Managing Complex Change* by Richard Beckhard and Reuben Harris, a part of the Addison•Wesley OD Series. There are also several books on how to analyze the social and technical aspects of a work system, such as Eason's *Information Technology and Organisational Change*, Pasmore's *Designing Effective Organizations*, and Pava's *Managing New Office Technology*.

If you're already familiar with these concepts, then the books and courses on BPR can be useful in pulling it all together. But there is no shortcut to replace detailed knowledge of principles of modern management and organizational change. Spend the time studying these principles. Then look into taking a course and reading such books as Hammer and Champy's *Reengineering the Corporation*, Naisbitt and Aburdene's *Reinventing the Corporation*, or Morris and Brandon's *Reengineer Your Business*.

The most important thing to remember is that BPR is not a magic process. It is hard work. The organization has to make changes: BPR won't do it for you. The vision for the reengineering has to come from the top, and they have to be ready for BPR. They have to let go of the old values and beliefs that are holding the organization back and move to a new vision of the future of the organization.

About the Author:

Mr. Ruete has been at the USCG Research and Development Center for five years, working to move the Coast Guard away from the design of computer systems and towards the design of work systems enabled by computers. He is deployed by the Coast Guard as an internal consultant in the area of process redesign and information system development. He has worked with top managers and reengineering working groups in six Headquarters offices and several operational and support programs, having teamed in these efforts with top reengineering contractors including CSC Index, Coopers and Lybrand, and Ogden Government Services. He is the author of the Coast Guard Handbook on Strategic Information Resources Management Planning (SIRMP).