

The 21st Century Organization

WARREN
BENNIS
EXECUTIVE
BRIEFING
SERIES



Reinventing Through Reengineering

Warren Bennis **Michael Mische**

Author of *On Becoming a Leader*

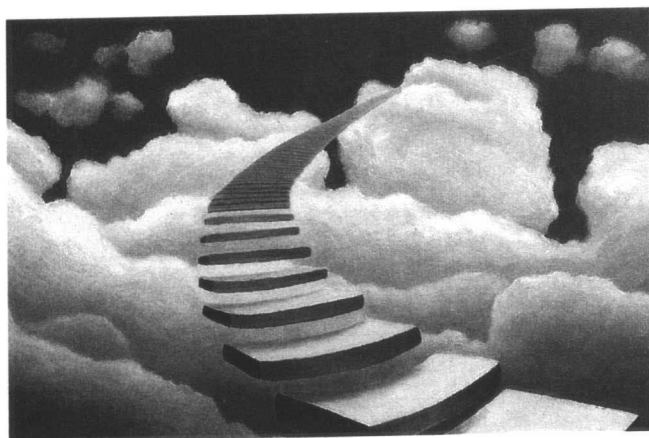
Former Partner and Principal with
KPMG Peat Marwick

"Nothing I have read or heard about reengineering comes close to the levels of inspiration and motivation that this book incites."

—Gregory Nielsen, former director of operations, Bausch & Lomb

THE 21ST CENTURY ORGANIZATION

Reinventing Through
Reengineering



Warren Bennis & Michael Mische

The Jossey-Bass Business & Management Series
Jossey-Bass Publishers • San Francisco

Copyright © 1995 by Jossey-Bass Inc., Publishers, 350 Sansome Street, San Francisco, California 94104.

All rights reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

The excerpt from "Reengineering: Out of the Rubble" by S. Greengard from *Personnel Journal*, Dec. 1993 is used by permission of ACC Communications Inc./ Workforce, Costa Mesa, CA. Copyright © December 1993. All rights reserved.

FIRST PAPERBACK EDITION PUBLISHED IN 1997.

THIS BOOK WAS ORIGINALLY PUBLISHED BY PFEIFFER & COMPANY.

Substantial discounts on bulk quantities of Jossey-Bass books are available to corporations, professional associations, and other organizations. For details and discount information, contact the special sales department at Jossey-Bass Inc., Publishers (415) 433-1740; Fax (800) 605-2665.

For sales outside the United States, please contact your local Simon & Schuster International office.

Jossey-Bass Web address: <http://www.josseybass.com>


Cover Design: Paul Bond

Interior Design, Page Composition, Illustrations: Lee Ann Hubbard

Editor: Carol Nolde

Editorial Assistant: Susan Rachmeler

Production Editor: Dawn Kilgore

 Manufactured in the United States of America on Lyons Falls Turin Book. This paper is acid-free and 100 percent totally chlorine-free.

Library of Congress Cataloging-in-Publication Data

Bennis, Warren G.

The 21st Century organization : reinventing through reengineering
/ Warren Bennis & Michael Mische.

p. cm. — (Warren Bennis executive briefing series)

Includes index.

ISBN: 0-89384-273-7 (hardcover)

ISBN: 0-7879-0939-4 (paperback)

1. Organizational change. 2. Corporate reorganizations.

I. Mische, Michael. II. Title. III. Title: Twenty-first century organization

IV. Series

HD58.8.B4623 1995

658.4'063—dc20

95-16196

FIRST EDITION

HB Printing 10 9 8 7 6 5 4 3 2 1

PB Printing 10 9 8 7 6 5 4 3 2

Editor's Preface

There are enormous and irreversible changes sweeping through the world today. These changes are redefining the ways in which people work and interact with one another. In fact, change is happening so quickly that leaders of both private and public organizations are finding that they face a constant and bewildering barrage of challenges. Successfully meeting such challenges will require new methods, new skills, new structures—in short, a new organization.

Reinventing today's organization to meet the challenges of the 21st Century is the subject of this book. Despite the popularity of reinventing—or reengineering—this difficult topic is confusing to many. Consequently, I am pleased to have coauthored this book with my colleague and friend, Michael A. Mische, whose extensive experience in leading organizations through the process of reengineering proved invaluable in clarifying the process for readers.

Michael and I felt that writing this book was particularly important, in light of the fact that so many organizations have undertaken reengineering without understanding what it is, what implications it presents for the organization and employees, and how to do it. A specific methodology, planned step-by-step in advance and yet flexible enough to accommodate new developments both within and outside the organization, is critical.

In this book we present our methodology. We don't pretend that it's fail-safe; nothing is. But it has worked for many organizations, leading to increased competitive advantage and instituting innovation as a way of life.

This second book in the *Warren Bennis Executive Briefing Series* makes use of the same SuperReading features that distinguished the first offering, *Fabled Service: Ordinary Acts, Extraordinary Outcomes*. Early feedback about these features, including pull quotes, bulleted lists of key points, highlighted facts, and crisp graphics, has been extremely positive, and we are gratified that we have been successful in easing the reader's task of learning about current business topics.

Warren Bennis
Santa Monica, CA, 1995

Authors' Preface

The 21st Century Organization: Reinventing Through Reengineering is not just another book about a trendy topic. This book is, first and foremost, a description of what actually happens when an enterprise is reinvented: what the critical success factors are, which organizational resources are brought to bear, how those resources are organized for a reengineering effort, what activities are completed—and how, by whom, and why. It is based on the methodology that we have developed and used to help organizations reengineer successfully.

From our point of view, this work offers certain advantages over other reengineering books:

- ◆ It's brief and concise. You can read it in very little time.
- ◆ It offers features designed to help you find information quickly and retain it more readily, for example, frequent headings, bullets, information showcased in shaded boxes, and "factoids" in the margin that augment the text.
- ◆ Its focus is extremely practical. You are spared any lengthy theoretical dissertations.
- ◆ It avoids the jargon often used in books on business or human resource development topics.
- ◆ Its tone is casual and, we believe, lively enough to keep you interested in our ideas.
- ◆ It includes cartoons and illustrations to lighten this serious, important topic.

In writing this book, we wanted to demystify the topic of reengineering, dispel some of the common myths about the topic, offer a brief but thorough treatment of our own methodology for conducting reengineering, and present the case for using this approach to competing in the 21st Century. If your organization decides to embark on reengineering—and we hope it does—we wish both you and the organization a successful journey.

We would like to express our gratitude to the many people who helped us complete this book. To our current and former business partners and colleagues, we say thanks for encouraging our efforts. Special thanks go to our clients, especially the fine people of Bausch & Lomb's Personal Products Division, who have the vision and courage to constantly move forward. To Dan Gill, Jim Kanaley, Charlie Hadeed, Jurij Kushner, Greg Nielsen, Bob Hribernik, Eugene Romeo,

Tom Moran, Bert Di Paola, Scott Rodgers, and Dave Pecora: Thanks for the support.

Several other authors and consultants have made pioneering and important contributions to the area of reengineering. In particular, to Michael Hammer, James Champy, Tom Davenport, James Brian Quinn, and Robert Tomasko, we would like to say thanks for the good work and for bringing the subject of reengineering to the forefront of management.

And this book never would have materialized without the tireless efforts of Do'reen Hein, Rhonda Kloosterman, Shirley Rodriguez, and the very professional staff of Pfeiffer & Company: Managing Editor JoAnn Padgett, who helped us plan our manuscript in the initial stages; Developmental Editor Carol Nolde, who edited the book with an emphasis on a succinct, orderly, and readable presentation; Production Editor Dawn Kilgore, who supervised the transformation of our manuscript into the beautiful work you have in your hands; and Senior Graphic Designer Lee Ann Hubbard, whose creative design, layout, and illustrations grace these pages. To everyone who spent countless hours with drafts, rewrites, and galleys, we express our heartfelt appreciation.

Finally, none of this would have been possible without the continuous inspiration, support, and confidence of our loving wives, Grace Gabe and Lynn Mische. We are so grateful that they are our partners in life.

Warren Bennis
Santa Monica, California

Michael A. Mische
Boalsburg, Pennsylvania

Foreword

Organizations are discovering that they cannot succeed in tomorrow's world unless they reinvent themselves today. Yet, despite this discovery, they often don't know what reinvention entails.

In *The 21st Century Organization: Reinventing Through Reengineering*, authors and consultants Warren Bennis and Michael A. Mische define what reengineering is and is not and then present their own five-phase methodology for performing reengineering. In essence, they have provided an effective road map for organizational transformation. Their book is an invaluable guide for any executive who is contemplating or initiating reengineering.

In giving us this book, Bennis and Mische also have encouraged what may well be the organization's most significant function: to serve as the enabler of what Edwin Land called "the rewarding and inspiring work day." In addition, this book fosters awareness of the organization as an entity through which the creativity of human minds continually raises people's living standard, thereby promoting the belief that tomorrow can be better than today.

It is my hope that courageous and innovative individuals like Bennis and Mische will be inspired by this book to address some of the important opportunities presented to organizations in the future:

- ◆ Generate a set of organizational titles that are more consistent with the leadership role than the outmoded management function. The title of "chief executive officer," for example, is an anachronism; "chief strategic officer" may be a possibility.
- ◆ Supplant the "chart" structure of the organization with a different structure that accommodates the interaction of a proactive culture with the reactive demands of influences outside the organization. The human nervous system with its simultaneous voluntary and involuntary capabilities may be an excellent model.
- ◆ Rethink out-of-date accounting systems, which make no allowance at all for the two most significant organizational assets: *knowledge* and *people*.

Donald Alstadt, Chairman of the Board, Lord Corporation

Contents

EDITOR'S PREFACE	VII
AUTHORS' PREFACE	IX
FOREWORD	XI
1. WHAT IS REENGINEERING? MYTHS AND REALITIES	1
Myths About Reengineering	2
Five Essential Elements of Reengineering	4
Our Definition of "Reengineering"	9
Specific Goals of Reengineering	11
2. WHY REENGINEER? THE NEED FOR CHANGE	17
Traditional Methods Yield Unimpressive Results	18
Looking for the Answer	19
The History of Management	20
What Today's Reality Means	22
Predictions About the New Reality	23
The Answer: Reinventing the Organization	27
The Evolution of Reinvention Through Reengineering	27
3. AVOIDING FAILURE: A METHODOLOGY FOR SUCCESS	33
Pitfalls to Avoid	34
How to Succeed	38
Our Model for Reengineering	39
Guidelines for Success	42
4. PHASE 1: VISIONING AND SETTING GOALS	45
1.1: Creating a Vision and Goals	46
1.2: Identifying Opportunities	47
1.3: Forming and Educating the Reengineering Team(s)	50
1.4: Communicating the Vision and Gaining Commitment	52
1.5: Establishing an Infrastructure	52

5. PHASE 2: BENCHMARKING AND DEFINING SUCCESS	57
2.1: Benchmarking Business Practices	58
2.2: Identifying, Copying, and Improving on Best Practices	60
2.3: Assessing Information Technology	61
2.4: Establishing Performance Targets	62
6. PHASE 3: INNOVATING PROCESSES	65
3.1: Conceptualizing the Process	66
3.2: Mapping the Process	67
3.3: Testing the Prototype Process	70
3.4: Refining the Prototype Process	71
3.5: Reengineering the Information Technology	71
3.6: Substituting the New Process for the Old One	76
7. PHASE 4: TRANSFORMING THE ORGANIZATION	79
4.1: Transforming Operations	80
4.2: Transforming Organizational Structures	80
4.3: Implementing Reengineered Processes	84
8. PHASE 5: MONITORING REENGINEERED PROCESSES	87
5.1: Refining Processes	88
5.2: Monitoring for Improvement	88
5.3: Transferring Learning	89
9. THE HUMAN SIDE OF REENGINEERING	91
Staffing a Reengineering Effort	92
Executive Sponsors	92
Reinvention Steering Committee	93
Transformation Leader	94
Process Champion	95
Reengineering Team(s)	95
The Role of an External Consultant	97
Employee Reactions to Reengineering	99
REVIEW: TIPS FOR A SUCCESSFUL JOURNEY	109
NOTES	112
INDEX	114

WHAT IS REENGINEERING? MYTHS AND REALITIES

We started with a fresh sheet of paper and said to ourselves, "If we were starting GTE today, how would we do it?"

Bruce Carswell, GTE Corporation's
senior vice president of human resources

1

Today there's a growing tendency to charge headlong into an activity labeled "organizational reengineering." According to the media and organizational consultants, virtually all of the Fortune 500 companies are performing some type of reengineering. Even the U.S. government purportedly is attempting to reinvent itself.

Despite its popularity, the process of reengineering is still a mystery to many people. In an effort to help solve the mystery, we offer this chapter, in which we dispel some of the myths about reengineering, clarify the five essential elements of the process, present our detailed definition of reengineering, and describe the specific goals of reengineering. As you will see, the process of reengineering as we view and apply it is quite different not only from the applications of the past, but also from traditional problem-solving methods.

MYTHS ABOUT REENGINEERING

In working toward defining and describing a term that is so subject to controversy, we decided to start with some common misconceptions and describe what reengineering isn't:

Myth 1: If you're contemplating reengineering, you must have been doing all the wrong things, all along.

The reality is that if you've made it this far, you've done a number of things right, even if you haven't done them perfectly. The process of reengineering allows you to recognize successes while striving to identify and capitalize on opportunities for improvement through innovation.

Myth 2: Reengineering is about information technology.

The reality is that although information technology is an enabling agent of change and is essential to any reengineering effort, reinventing the enterprise requires a lot more than just addressing technology issues. History has shown that in and of itself, new technology never produces quantum results for shareholders and customers.

Myth 3: Reengineering means doing more with less.

The reality is that reengineering is about doing things differently and more effectively, with or without existing personnel. It does not start from the premise of eliminating jobs, nor does it inevitably lead to downsizing.

Downsizing does have its place in an organization that's overstaffed. The key point is that every job should create customer or shareholder value; if a job doesn't, it should be eliminated so that it doesn't simply contribute to growing overhead.

Unfortunately, during the downsizing movement of the 1990s some organizations went way too far, erroneously calling their efforts "reengineering," and cut deep into their core cultures. In doing so, they exorcised many of their

values and leaders and lost not only knowledge, but also role models.

For those organizations that voluntarily forfeited their talent, downsizing became "suicisizing." They may have generated some short-term cost reductions and profits, but the overall cost to their long-term competitive posture has been enormous.

Myth 4: Reengineering can be used to fix any problem.

The reality is that reengineering is not a solution to be applied to isolated problems. It's a process that changes the organizational culture and creates new processes, new systems, new structures, and new ways to measure performance and success.

Myth 5: Reengineering can be managed by anyone.

The reality is that the person who serves as the transformation leader must have strong leadership skills, mature business judgment, extensive experience in managing organizational transformation, knowledge of the reengineering process, experience in using a refined methodology to conduct the process, and a

Technology-Driven Reengineering Gone Wrong

One Fortune 1000 company, a major distributor of brand-name and private-label products, invested about \$7 million in new technology and software to support its order-entry and manufacturing processes. The stated goals of the effort were to enhance customer service, accelerate shipments, reduce head counts and inventories, and decrease cycle times.

Immediately after acquiring and installing the software, the company's consulting firm and information-services staff embarked on a multi-year, multi-million-dollar project to modify the new software. The objective was to enhance the software to better support "how we do business."

Despite the fact that the organization was heavily layered and rife with duplication of effort, no reengineering of the existing processes and organizational responsibilities was attempted. Senior management was convinced that it wasn't necessary and would only "disrupt the organization."

The new software was modified to support the processes that the company had used all along. Inventories, head counts, and cycle times were increased, not decreased. Customer service was not enhanced; shipments were not accelerated. The information-services staff was confronted with a backlog of user requests representing more than *thirty* years of effort and growing every day.

Downsizing Becomes "Suicisizing"

One major consulting firm used downsizing to cut its leadership group by some 25 percent. At the time of the downsizing, the firm was one of the leaders in its field.

Within three years of the initial downsizing, the firm went through at least four more reorganizations, all of which were significant. Business focus, morale, and core competencies deteriorated with each reorganization. Today this organization has dropped in comparative revenue rankings to virtually the bottom of its industry.

One way to judge if you are reengineering: The first time you bring it up, if no one screams, "Are you crazy?" then it is not a reengineering project.

Robert Rubin

commitment to helping the organization change. Credibility is a must.

Myth 6: Reengineering creates anxiety and chaos that are detrimental to the organization.

The reality is that reengineering does create anxiety, but anxiety need not be detrimental and chaos need not be the result. Reengineering is change, and change can be excruciatingly difficult. If the reengineering effort is properly managed and implemented, though, lasting scars can be avoided.

Myth 7: Reengineering is a scientific process.

The reality is that although certain scientific techniques might find their way into a reengineering process, the process itself is not a scientific one.

FIVE ESSENTIAL ELEMENTS OF REENGINEERING

Now that we've dispelled some of the myths commonly associated with reengineering, we can begin to build a new definition. In our view, reengineering has five essential elements:

- ◆ A bold vision.
- ◆ A systemic approach.
- ◆ A clear intent and mandate.

- ◆ A specific methodology.
- ◆ Effective and visible leadership.

Without any one of these five elements, the change effort being contemplated is not reengineering.

ESSENTIAL ELEMENT 1: A BOLD VISION

Some organizations that embark on efforts later called “reengineering” have been motivated by embarrassment, fear of extinction, or a wake-up call from competitors. (We offer some examples in Chapter 2 when we discuss the evolution of reengineering.) But a better motivation—the real starting point for successful reengineering—is a bold vision of the organization’s future and the passion necessary to turn that vision into reality.

A few organizations, such as General Electric, Yamaha, Motorola, Kao, and Bausch & Lomb, have, in fact, reengineered out of vision and passion. All five of these companies were already doing well when the decision to reengineer was made.

Sometimes the necessary vision and passion arise from a desire to dominate or change an entire industry. Disney, for example, set out to regain dominance by reinventing its entertainment operations. It was driven by a passion not just to provide entertainment, but to *be* entertainment.

And Home Depot reengineered the way in which people shop for their home-remodeling



San Diego Historical Society, Photograph Collection

An old-fashioned hardware store, a good source of items for small jobs. Home Depot represents an alternative source concentrating on a wide range of services.

materials when it launched the concept of retail warehousing with huge quantities of in-stock items, everyday low prices, and highly paid and knowledgeable workers. In doing so it not only reengineered the traditional hardware and building-supply industries, but also created a completely new retailing concept.

ESSENTIAL ELEMENT 2: A SYSTEMIC APPROACH

Early in the evolution of reengineering, a number of organizations made change efforts that were *situational*, that is, specific to a particular problem. And therein lies the difference between what has been the historical context of reengineering and what we call "reengineering."

From our point of view, reengineering is *systemic*. It has far-reaching, organization-wide implications and is not restricted to just one organizational issue, procedure, task, activity, function, or unit.

Not everyone, however, shares our view. Reengineering definitions span a wide spectrum. At one end of the spectrum are the more traditional definitions, which characterize reengineering in a narrow context that emphasizes incremental improvement, changes to fundamental processes only, head-count reductions, and self-funding projects.

At the opposite end of the spectrum—where we happen to be—are the more revolutionary definitions, which characterize reengineering as total reinvention and transformation designed to achieve quantum results (minimum 50-percent improvement). The revolutionary view addresses all organizational functions in terms of the processes performed, whereas the traditional view confines itself to one or more individual activities within a specific function.

For example, let's assume that an organization is about to undergo reengineering. With the revolutionary approach, one of the functions dealt with would be customer service, and it would be addressed in its totality, just as all other functions within the organization would be. With the tradi-

tional approach, however, the effort might focus exclusively on a portion of customer service and, furthermore, only on one aspect of customer service, such as order entry.

So what's wrong with the traditional approach? Customer service involves not just order entry, but various activities that are distributed throughout the average organization in various departments: credit, distribution, forecasting, sales, shipping, planning, scheduling, traffic, accounts receivable, and manufacturing. These activities are usually the responsibilities of different functional units, which treat and manage their components of customer service independently and differently from all other units.

Addressing the customer-service process using traditional, situational techniques might result in improvement to one or more activities of a specific procedure or department, but not to the process of customer service as a whole. In addition, not addressing other functions outside customer service—which may very well be related to customer service in ways that are not immediately apparent—might mean that benefits gained either will not be sustained or will be negated. Consequently, the customer may never see the results of the effort.

Reengineering through reinventing, on the other hand, recognizes that the process of customer service spans many parts and levels of the typical organization, and it addresses all of those parts and levels. It arranges all activities associated with customer service—previously divided into separate units—into processes that have a continual flow, accelerated velocity, a consolidated function, and a common system of management practices and performance measurements. This organizational restructuring leads to uniformity in ways of dealing with customers and greatly increases the probability that customers will see the results of the reengineering effort.

The traditional approach doesn't lead to quantum results.

Always Remember Customers

Throughout the reengineering process, remember to ask John W. Nordstrom's favorite question: "What do our customers really want?"

There's another problem associated with the traditional approach: It doesn't lead to quantum results. Why? Because an effort intended to achieve incremental improvement is not designed to yield dramatic results; it is designed to satisfy an immediate need and reach a near-term objective.

ESSENTIAL ELEMENT 3: A CLEAR INTENT AND MANDATE

Thus far, very few organizations have embarked on reengineering with a clear intent and mandate. More often than not, an organization engages in some kind of change effort and after the fact refers to that effort as "reengineering" because that term has some internal appeal or external marketing value.

Instead, to effect systemic change that is lasting, the organization must start with that specific intention and must realize that the end point will be an entirely different enterprise. And creating a new enterprise requires the mandate and ongoing support of top management; there's no other way to ensure that the necessary resources are applied to plan, manage, implement, and sustain the reengineering effort.

ESSENTIAL ELEMENT 4: A SPECIFIC METHODOLOGY

Unlike the accounting and legal professions, reengineering has no codified rules, educational requirements, or professional standards. As reengineering is still evolving as a management doctrine, there is very little information on how to perform the process. In particular, there's an absence of "how-to" material described at a level that can be useful to a manager or executive.

But with a process as all-encompassing as reengineering, a specific methodology is critical. Both the leader of the reengineering process and the organizational employees