Article from:

The Actuary

November 1993 – Volume 27, No. 9

BOOK REVIEW

Book gives inside view on redesigning corporations

by John Sardelis

Reengineering the Corporation: A Manifesto for Business Revolution, Michael Hammer and James Champy. Published by Harper Business, 10 E. 53rd St., New York, NY 10022; $25, 1-800-242-7737. 1993, 256 pp.

Reengineering is being lauded by business magazines, boosted by management consultants, and hailed by organization academics as the cure for America's productivity problem. *Reengineering the Corporation* is a welcome addition, providing a theoretical framework and several case studies from two very credible experts. Michael Hammer is widely regarded as the high priest of reengineering since his seminal article appeared in the July-August 1990 issue of the *Harvard Business Review*. His coauthor is James Champy, head of CSC Index, a prominent consulting firm with a very active reengineering practice.

The central thesis of the book is that American corporations must radically redesign how they do their work to survive in the 1990s. To compete, organizations must focus on three forces now shaping their environment: customers, competition, and change. Hammer and Champy state that customers have gained the upper hand through information and are now demanding better value. In addition, competition will continue to intensify as trade barriers fall and technology creates new and better solutions. Finally, change will become constant as product and service life cycles continue to shrink.

To meet this demanding pace, companies must reengineer to adapt to the new environment. Insurance companies appear to have been early converts to reengineering. Four of the ten companies acknowledged in the book (Chubb, Aetna, Capital Holding, and Progressive) are in this industry.

The authors lay the groundwork for the reengineering movement by claiming that old business paradigms are obsolete. Adam Smith's venerable principles of the division of labor and specialization of work are called "outdated." Smith's ideas are built around simple tasks to achieve productivity; reengineering practitioners believe that work must be organized around processes. A process is a set of activities that produce value to the customer and is the key concept of reengineering. By organizing around processes, workers spend more time attending to customers than satisfying the bosses' needs.

The authors give a somewhat ponderous definition of reengineering: "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." The resultant reengineered organizations are flatter, with fewer middle managers, and executives are recast from scorekeepers to leaders.

The authors explain the vital role information technology plays in enabling change. We are encouraged to think inductively, which starts with recognizing a powerful solution and then seeking an appropriate problem. This line of reasoning usually is considered heresy in information technology circles and is disparagingly referred to as "a solution looking for a problem."

Reengineering the Corporation is at its best when discussing information technology and its capability to radically alter the way work is done. Hammer and Champy's approach to work redesign, which heavily relies on envisioning the potential of information technology, offers an exciting way to realize the payoff from computer automation.

The latter half of the book serves as a primer on how to reengineer. We find out who should be part of the reengineering team and what processes to target. Once again, the authors come up with some unexpected recommendations. For example, process redesign requires creativity, inductive thinking, and craziness. While there are no algorithms for reengineering, they advise focusing on the customer and organizing around outcomes.

At the end of the book, we discover that between 50-70% of the organizations embarking on reengineering do not achieve their objectives. Many reasons are given, but I think they all stem from the same cause — organizations are designed to resist change.

This is an interesting and provocative book that shares the same advice for which corporate America has paid millions. It also leaves one wondering whether reengineering is the latest idea destined for the management theory junkyard.

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