Re-engineering today

BY LAWRENCE R. LEVIN

Corporate boardrooms across America are filled with executives embracing the latest fad in management conceptualization. In our search to compete more effectively, management gurus have led us from buzzword to buzzword like a giant honeybee in search of the nectar of cost-effective management.

The landscape is littered with concepts including "employee empowerment," "statistical process control," "just-in-time manufacturing" and "total quality management." The most recent of these concepts is "re-engineering" the workplace. Pepsi-Cola, for one, has applied this concept to create a new, "customer-driven" organization.

In theory

The term "re-engineering" was popularized in 1989 by Dr. Michael Hammer, an ex-professor of computer science at MIT, who re-engineered himself into a management consultant. He and James Champy published a book, *Re-engineering the Corporation,* which quickly rose to the top of *The New York Times'* best-seller list. Dr. Hammer estimates that 70 percent of all re-engineering projects fail! What is this high-risk concept and why has it created such a sensation? Both TQM and re-engineering share customer focus as a critical element, but re-engineering is an entirely new way to organize business activity.

When the United States found our economic leadership challenged in the 1980s, we concluded that our business enterprises were not motivated or organized effectively. The answer was to search for new ways to do what we had been doing, but to do it more efficiently. "Just-in-time manufacturing" was a concept intended to lower costs by reducing inventories and better coordinating supply relationships. "Employee empowerment" was designed to permit those most closely associated with a task to impact how that discrete task or function was performed with reduced interference from the bureaucratic structure American corporations had created.

Each of these concepts was an important step forward, which could be integrated into the historically existing culture and tailored to fit existing operations. But re-engineering is much more extreme. Its fundamental underpinning is the marriage of the computer and telecommunications. Re-engineering is revolutionary, not evolutionary.

Re-engineering attempts to create systems to support new business concepts rather than automating the existing way of doing business. It is more accurate to refer to re-engineering as process innovation. As Dr. Hammer put it, "Don't automate, obliterate." Re-engineering suggests that, using modern technology, we determine how best to perform each core business process without regard to how it was done in the past.

> "Don't automate, obliterate."

One important result of re-engineering normally is to eliminate intermediate levels of management and parallel processes that impede task accomplishment and add cost. This concept is described as moving from a vertical structure with traditional departments coordinated at the top to a horizontal structure in which multi-disciplinary teams focus on doing everything necessary to achieve a result.

In application

Suppose a beverage company is computer-linked to its customers. Each product is computer-coded. Checkout-counter computers transmit information to the central purchasing department where a perpetual inventory is kept by store. At predetermined levels, the chain stores' computers automatically order more product through the beverage company's computers.

The supplier's computer system automatically cumulates all orders and determines each truck's load and route of delivery for the day, picking the most efficient configurations.

All basic hard-copy paperwork can be eliminated in tracking product through the warehouse stage onto the truck, with only the computer-generated list and routing being displayed in the truck's onboard computer. Since this computer is linked by cellular phone to the companies' computers, delivery changes can be made in progress simply by having direct computer data sent to the truck during the day.

Moreover, since computers at the store read the deliveries, they can verify product receipt, permitting direct computer billing from the company to the chain headquarters and eliminating mailed paperwork.

When fully implemented from suppliers through customers, re-engineering permits a beverage company to radically alter its business processes with dramatic cost savings. Think about marketing people with notebook computers that are cellularly linked to production, setting production and delivery schedules from the purchaser's office as the meeting is in progress! In order to achieve this type of inter-company integration through technology, a multi-disciplinary team drawn from sales, accounting and production, for example, will have to work closely with the customer.

These capabilities are here now. And, as re-engineering takes hold, they will become the core processes for companies to be profitable in the future. But re-engineering differs from what has come before in that if a beverage company fails to start now, it may soon be left far behind.

Lawrence R. Levin is a founding partner of Chicago-based Levin & Funkhouser, Ltd., a full-service corporate law firm. Levin has handled a number of noteworthy cases in the beverage industry as well as cases in the U.S. Court of Appeals, U.S. Tax Court and U.S. Supreme Court.