MiniCase for Quiz-No2 – Multimedia Information Strategic Planning

Subject: "Don’t Reengineer. Realign."

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When companies began posting poor earnings results last spring, they moved to lay off employees and cut costs. Besides such firms as the Xerox and Whirlpool corporations, high-tech leaders like the Dell Computer Corporation and Cisco Systems Inc. joined the trend. Indeed, nearly half of the 804 executives at U.S. firms surveyed in April by the American Management Association said their companies would not meet revenue targets set at the beginning of the year, and 64 percent had already cut jobs and imposed hiring freezes.

Executives who take this reactive approach will soon discover that announcing a layoff is easy. The hard part is deciding which positions (and people) to eliminate. Harder still is getting work done effectively after those people are gone.

In the early 1990s, the solution of choice was reengineering, a tool that promised to "radically transform" work processes and deliver "quantum improvements" in performance. This method was popularized by the 1993 book Reengineering the Corporation: A Manifesto for Business Revolution, by Michael Hammer and James Champy. Unfortunately, the promise of reengineering did not match the results. Once the pressure for change dissipated, excised costs and personnel usually returned, leaving organizations inefficient and overstaffed - again.

Despite its record, reengineering is still around, in practice if not in name. Unless executives select a different approach to change, many of them will be forced to rely on the concepts of reengineering as the only way they know to make an organization run with fewer resources.

Managers can break out of this rut with an organizational model we call "strategic alignment." Unlike reengineering, this new model does not impose rigid processes on organizations. Instead, it creates a corporate environment in which organizational elements, such as structure, processes, objectives, measures, and incentives, lead managers to make decisions that improve financial and operating performance. Strategic alignment impels managers to work out the tensions that often result in redundant staff and underperformance.

The logic of strategic alignment becomes clear when it is contrasted with reengineering, which is based on the century-old theory that variation is waste. At its heart, reengineering seeks to root out variation by routinizing, and if possible automating, core business processes. This approach makes sense when applied to clerical, easily measured work, like insurance claims processing. But reengineering’s bias toward static rules means it cannot accommodate the dynamic thinking and actions of humans in a knowledge economy. What’s more, reengineering underestimates personal motivation as an influence on individuals’ decisions.

Strategic alignment avoids these traps through two simple premises:

• Managers are rational actors.

They make decisions based on the incentives, constraints, and information in their environment. To improve performance, companies must change the factors that influence managers’ behavior.

• Organizations are complex, dynamic systems.

The factors influencing managers’ behavior constantly interact. If factors are misaligned, the result can be excessive internal conflict and unintended consequences.
Unfortunately, most executives struggle with their organizational design. The complexity is daunting, with thousands of design decisions to be made across organizational units. Realignment requires senior managers to see the big picture and push for deep-rooted changes.

Realigning an organization is arduous, but the payoff can be substantial. For example, we recently worked with a consumer packaged goods company that never hit its profit targets despite waves of overhead reductions. The root cause was a tension that arose because the company was simultaneously managed along brand and channel dimensions. Managers from both sides had added staff to corporate headquarters in a misguided attempt to reconcile the two competing views of the business.

To address the problem, the company created an organizational model that, first, acknowledged this inherent complexity and, second, deployed mechanisms to manage the trade-offs between brands and channels. A common profitability metric encouraged sales and marketing managers to work out their clashes directly, without constant intervention by middle managers. Indeed, these middle managers lost much of their organizational purpose once they were no longer needed to second-guess other managers. As a result, the retooled organization eliminated most of this layer of management, further enhancing efficiency and lowering head count.

Alignment does not micro-manage employees, demanding they use the one best way to do things. Instead, its system-wide, iterative approach balances competing forces so the right decisions are made naturally and logically. As circumstances change — through acquisitions, new technologies, or shifts in strategy, for example — the system rebalances. Getting the alignment right will provide benefits beyond the reach of reengineering.

**Instructions.**

Read the Minicase article above and answer the following questions.

**Q1.** This article puts forth the opinion that strategic alignment is a better option than reengineering. One of the reasons said was that "reengineering cannot accommodate the dynamic thinking and actions of humans in a knowledge economy". Why do you think that is the case? [5 points]

**Q2.** An example cited in the article above describes a company having problems in reaching profit targets despite overheads reductions and cutting costs. What was the real problem? How was the problem solved through realignment? [5 points]
**ANSWERS TO MISP2-QUIZ-NO. 2**

**Q1.** This article puts forth the opinion that strategic alignment is a better option than reengineering. One of the reasons said was that “*reengineering cannot accommodate the dynamic thinking and actions of humans in a knowledge economy*”. Why do you think that is the case? [5 points]

**ANSWER**

Answer to “WHY” and not WHAT, WHO, WHEN, WHERE, HOW or HOW MUCH.

In alignment towards the strategies of the business, we do not have to fully reengineer the organization. We need to have the capability of “influencing, adapting and coercing” the organization back towards its strategies and goals. Human beings are flexible and are very good at this especially managers that can work together to "align whatever conflicts” [line 35] inside the organization back towards the strategies and needs of the business. This is what the article meant by the opinion that "strategic alignment is a better option than reengineering" because of the human factor.

Alignment is a better option than reengineering for some of the reasons below (answering the why):

- Reengineering is more suitable towards static, routine and straightforward activities [line 42]. If the activities are not changing much, look for reengineering methods that replace the conduct of the work with machines or low level and low paying labor. The work still gets done and there is no need for intelligent thinking or problem solving capabilities. This is what humans do best.

- Reengineering cannot handle well situations with dynamic or changing constraints, incentives and information [line 50]. In some cases reengineering will replace human activities with machines and computers. When competition changes, these machines and computers may not be flexible enough to handle the new situation. Human beings in most cases will be able to adapt to these changes i.e. those with intelligence, creativity, innovativeness, problem solving skills, etc, etc.

**NOTE**

Human beings are very flexible to a point that they can “fall in love many times”. You can fight but then make up again. You can fail in love, get frustrated many times, went “loco or crazy” about love many times, ha ha ha, then gets to fall in love again. Yeah. Love is blind. Ha ha ha. Never be afraid to fall in love. So don’t worry be happy. Hakunna mattata.
Q2. An example cited in the article above describes a company having problems in
reaching profit targets despite overhead reductions and cutting costs. What
was the real problem? How was the problem solved through realignment?

[5 points]

ANSWER

Answer to "WHAT problem" and not WHY, WHO, WHEN, WHERE, HOW or HOW MUCH.
Answer to "HOW problem solved" and not WHY, WHO, WHEN, WHERE, HOW or HOW MUCH.

The one real problem with the consumer packaged goods company mentioned above
was the two conflicting views [line 66] regarding the focus of the business. One was
focused at branding to increase sales while the other was focused at improving
distribution channels to also increase sales. Both views incurred (required) the
increase in staff at headquarters [line 67]. In both cases the increased staff resulted
in increased cost, so that was the reason profit targets were never reached.

The problem was first solved by asking marketing managers to work out their
clashes (i.e. forced to compromise or trade-offs) between brand and channels by
giving a common profitability matrix [line 73]. As an example, for “a boyfriend and a
girlfriend relationship” ask to compromise by giving a common win-win goal. Now
with the common goal and measure towards the goal, both parties must work closely
and come to a compromise. It does not matter how it is done but it must be done.
Ha ha ha.

The problem for the said company in the article was solved finally by removing the
middle managers (low value added and no longer needed i.e. lost much of
their organizational purpose) resulting in lowering head count, increasing
efficiency and eventually profits as shown in the italicized extract below [line 75].

"Indeed, these middle managers lost much of their organizational purpose once they were no
longer needed to second-guess other managers. As a result, the retooled organization
eliminated most of this layer of management, further enhancing efficiency and lowering head
count."

NOTE

In real life situations, the middle managers are always the “target” or “culprit”,
whichever way you look at it, when there is a need to lay off people in an
organization. You (a middle manager) are not the “top” boss. You are the “middle”
boss and they say you “push people below you” and you “polish the people above
you”. The top boss “makes the decision”, so no problemo - and the bottom people
“do the work” – also no problemo. You stay in the middle and you do not actually “do
valuable work”. They say you only "bosses around" the office like second-guessing
other managers. Ha ha ha. So when there is reengineering, realignment or soft
restructuring, middle managers are the first to go (i.e. be laid off). Ha ha ha. My
advice for you as a strategy is: “Quickly get to be the top boss or be a professional –
i.e. very good at something that you do to be very valuable to the organization.”
Otherwise, think of other green pastures early.