

**Critical Practices in  
Business Reengineering and Process Improvement:**

***Perspectives from the Front Lines***

**A Participants' Report from the  
1994 Benchmarking Survey  
by High Performance Concepts, Inc.**

**June 30, 1995**

***HIGH PERFORMANCE CONCEPTS, INC.***

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## **About Our Survey Report**

This report summarizes our first *Survey of Critical Practices in Business Reengineering and Process Improvement*. The responses represent 69 different organizations: 57 are engineering, manufacturing or distribution companies. The others include: 3 in education, 4 in government agencies, 3 in health services, and 2 in utilities. The responses were gathered over an 18-month period beginning in March 1993 and ending in November 1994. While most of the participants represent US companies, approximately 10% are from companies based in other countries.

Through our reengineering consulting experience, we have identified a key set of practices critical to the success of reengineering efforts. In this report we provide our assessments and conclusions for 3 Improvement Performance Measures and 17 Reengineering and Process Improvement Practices. We also provide our perspective on processes which companies are reengineering as well as the problems they are experiencing. We hope that these survey findings will help you to chart a clear path for your own efforts in Business Reengineering and Process Improvement.

## **Future Surveys**

Based on the high level of interest from our clients and professional organizations, we plan to update the survey semi-annually. We will continue to improve its scope and reach. If you are not already on our list of participants and would like to participate, please let us know. Our organization, like yours, always strives to improve its processes. Therefore, we ask you to include your suggestions for additional practices to be examined. Our address is below and on the front and back cover. **A mail-in response/order card is also attached inside the back cover.**

We hope that our research will help your organization along the path to successful Business Process Reengineering and Process Improvement.

Brian J. Savoie  
Vice President  
High Performance Concepts, Inc.

## **Availability of Survey Report Copies**

A copy of the Survey Report has been sent to each participant of record as of June 30, 1995.

Additional copies of our Survey Report are available at the address below.

All requests must be accompanied by \$60.00 payment (check or purchase order only).

Credit cards will not be accepted.

A 20% volume discount is available for orders of 10 or more.

**Please call or use the mail-in response/order card included inside the back cover.**

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## *Section I:*

### *Introduction*

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This section discusses the purpose of our survey, and describes what the survey measures. In addition, it outlines the survey design and profiles the respondents.

## *The Purpose of Our Survey*

As consultants to business leaders and improvement teams, we have noticed a large performance gap between those organizations which are making significant improvements and those exhibiting average or even poor performance in reengineering or process improvement. Those organizations unable to improve and make change pay a high price in the following areas:

- loss of sales, market share, and profitability;
- missed sales opportunities;
- slow response to growth and change;
- costly delays in the introduction of new products and services;
- poor utilization of capital and personnel resources;
- excessive overhead costs; and
- disgruntled employees and the associated loss of focus and effectiveness.

We know that any effective improvement plan must address the issues related to current performance, and that is the purpose of our Survey. We have called this survey "*A Perspective from the Front Lines*" because our goal is to establish a baseline firmly rooted in what is *really* happening. In addition, we wish to quantify the number of organizations which have achieved superior levels of improvement and to provide insights about how they have achieved such levels.

## *What the Survey Measures*

Our survey includes questions about business practices, key measures, issues with reengineering, and the most commonly reengineered processes.

Over the past few years we have worked with dozens of organizations, in many parts of the world. We have observed, first hand, those that are most effective and most respected by their customers, suppliers, competitors, and peers. Our survey consists of 20 multiple choice and 3 open-ended questions. Based on our experiences, we have concluded that **17 Critical Practices** make the *biggest difference* in achieving superior performance and represent what is required for assuring effectiveness and results. Other critical practices may exist. However, we believe that your organization's improvement efforts will flourish if you concentrate on these 17 practices:

- **Strategic Intent**
- **Motivation for Reengineering**
- **Comprehensive Planning**
- **Frequency and Integration of Planning**
- **Participation and Empowerment**
- **Performance Measurement**
- **Project Team**
- **Management Commitment to Implementation**
- **Project Scope**
- **Team Size**
- **Communication**
- **Facilities, Methods, Tools and Support**
- **Understanding**
- **Focus**
- **Resources**
- **Leverage**
- **Number of Facilities**

Our clients have told us that their issues are primarily "front-end" and management-related. Therefore we have designed our survey around *understanding, planning, scope, resources, and commitment*. In the future, we will add practices related to implementation and change management as they become increasingly important. Because much of our work is with manufacturing clients (the original focus of this survey), you may find that our terminology is slanted toward manufacturing organizations. However, a growing number of participants are providers of financial, health, and utilities services.

In addition to critical management practices, we have included **3 Performance Measures** of improvement:

- **Cycle Time of Improvement**
- **Recent Results**
- **Creativity**

We included these measures to see if strong performance on the 17 critical practices impacts the results achieved. Quality was excluded as a measure because we assume that it is a basic qualifier to being in the game, not a differentiator to help win the game.

Further, to identify those **Issues** of greatest concern to management, we asked respondents to identify the three biggest problems or issues that their organizations were experiencing with reengineering. Lastly, we asked all participants to identify which **Functions or Processes** had been reengineered or would be reengineered at their companies in the future.

Although this survey has not been statistically validated, we are confident of the applicability of the information summarized here.

## *Survey Design*

Our survey uses a maturity matrix, measuring five levels of increasing performance for each practice. Respondents were asked to indicate the level which best describes the situation in their organization. For example, the survey question for Practice 1, **Strategic Intent**, is shown below.

### **1. Strategic Intent** -- existence and communication of missions for major functions and organizations

<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Level 4</i>	<i>Level 5</i>
No mission	Disagreement	Exists, unwritten	Written	Widely circulated

We have designed the survey so that world-class performance would require a level 4 or 5 response. We developed a specific five-level scale for each practice and measure of improvement. The resulting survey is compact and concise enough to be completed in just a few minutes. Yet it assures a high degree of comparative analysis among the responding companies. It also avoids value-laden terms such as poor, good, and average.

In the survey instrument, the maturity levels increase from left to right. The highest level of performance, “*World-Class*,” is indicated on the far right. The lowest level is on the far left. We consider the middle to be “*Adequate*.” One must be at a level 4 to have “*Better Than Adequate*” or “*Good*” practice. All questions follow these conventions, except for **Question 12, Team Size**.

## *The Respondents*

We originally conceived our survey as a way for our clients, attendees of our training courses, and users of our reengineering methods to compare their performance. The responses included in this summary are from 69 different organizations: 57 are engineering, manufacturing or distribution companies. The other 12 include: 3 educational institutions, 4 government agencies, 3 in health services, and 2 in utilities. The manufacturing respondents represent industries ranging from aerospace to beverages. The responses were gathered over an 18-month period beginning in March 1993 and ending in November 1994. While the participants are primarily from US companies in North America, approximately 10% are from companies based in other countries. For example, some of our international respondents are from organizations based in Canada, Costa Rica, Korea, and The Philippines. Their job titles ranged from Industrial Engineer to Vice President of Operations. Our participants' average time with their companies was 10 years, with a range of 1 to 37 years.

The pool of respondents were attendees at public seminars on Planning for Business Process Reengineering, provided by High Performance Concepts, Inc., on the following dates and locations:

- March 24, 1993 *Fort Lauderdale, Florida*
- September 30 - October 1, 1993 *Atlanta, Georgia*
- March 2 - 4, 1994 *Dallas, Texas*
- May 12 -14, 1994 *Atlanta, Georgia*
- October 3, 1994 *Niagara Falls, Canada*
- October 17-19, 1994 *Cleveland, Ohio*
- November 14-16, 1994 *Atlanta, Georgia*

Each respondent was promised anonymity, therefore we cannot reveal the names of the participating organizations. Since our participants are broadly distributed throughout various industries and locations, and are in companies of various sizes, we believe that our survey contains a representative sample of all types and sizes of manufacturing organizations, and many other kinds of businesses.

A significant number of the participants work in large, multi-site organizations, several with thousands of employees. These respondents characterized their organizations as a whole, not just a single organization. So in this way, we believe that our survey measures the practices of far more than 69 company locations. And since many of our respondents are from other countries or work in multi-national companies, we believe that our survey findings have some relevance beyond North America.

We would like to thank our course sponsors, The Institute of Industrial Engineers and The Management Roundtable, for permitting us to conduct this survey in conjunction with the public offerings of our courses on Business Process Reengineering.

## *Section II:*

### *Findings and Conclusions*

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This section includes an executive summary and provides insights into how participants evaluated their own companies on improvement practices and measures. In addition, we discuss what differentiates the improvement leaders. Lastly, we provide information concerning the processes most frequently reengineered and common problems and issues with reengineering.

## *Executive Summary*

Most businesses have a significant opportunity for improving their approach to business process reengineering and process improvement. Our survey results on improvement practices and measures of improvement indicate that while most organizations are good or even excellent on three or four practices, they are only adequate or poor on many others. Obviously, some progress has been made on a few improvement practices, but many companies have a long way to go to make Business Reengineering and Process Improvement a part of their normal way of working.

### *Comments on Critical Practices*

The most common ratings on practices are as shown in the chart below:

<i>Most Common Ratings</i>			
	<b>Good or Excellent</b>	<b>Adequate</b>	<b>Poor or Less Than Adequate</b>
<i>Practices</i>	<ul style="list-style-type: none"> <li>• Strategic Intent</li> <li>• Motivation for Reengineering</li> <li>• Project Scope</li> <li>• Team Size</li> </ul>	<ul style="list-style-type: none"> <li>• Frequency and Integration of Planning</li> <li>• Participation and Empowerment</li> <li>• Performance Measurement</li> <li>• Project Team Composition</li> <li>• Management Commitment to Implement</li> <li>• Facilities, Methods, Tools and Support</li> <li>• Focus of Efforts</li> <li>• Adequacy of Resources</li> <li>• Number of Facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive Planning</li> <li>• Communication</li> <li>• Understanding</li> <li>• Leverage</li> </ul>

### *Comments on Improvement Measures*

We found no measures in which a majority of the companies were rated **Good or Excellent**. Fewer than 5% of the organizations in the survey are improving at a world-class pace. In fact, only two companies in our survey had a **Good or Excellent** rating in both **Cycle Time of Improvement** and **Creativity/Breakthrough Results**. These improvement leaders "seem to be good at everything."

## ***Relationships Between Practices and Measures***

We identified a strong correlation between high performance on the Critical Practices and achieving world-class improvement. The strong relationships among Performance Improvement Measures and Critical Practices are shown below:

<b><i>Improvement Measures</i></b>			
	<b>Cycle Time of Improvement</b>	<b>Creative, Breakthrough Improvement</b>	<b>Profit Growth</b>
<b><i>Related Practices</i></b>	<ul style="list-style-type: none"> <li>• Project Team</li> <li>• Performance Measurement</li> <li>• Frequency and Integration of Planning</li> <li>• Project Scope</li> </ul>	<ul style="list-style-type: none"> <li>• Focus</li> <li>• Understanding</li> <li>• Management Commitment to Implement</li> <li>• Facilities, Methods, Tools and Support</li> <li>• Leverage</li> <li>• Number of Facilities</li> <li>• Resources</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Measurement</li> <li>• Management Commitment to Implement</li> </ul>

## ***Commonly Reengineered Processes***

The processes which are most likely to be reengineered are:

- **Customer Service**
- **Production**
- **Procurement**
- **Product Engineering**
- **Inventory Management**
- **Marketing**
- **Quality Assurance**

## *Problems and Issues*

The top five problems and issues with Reengineering appear to be:

- Reengineering program is too big and lacks focus.
- Management and team members do not understand reengineering.
- Inadequate resources to plan and implement.
- Cycle time of the reengineering process is too long.
- Incomplete definition and scope of the reengineering effort.

## *What's a Company To Do?*

There are no secrets to success in top-notch, world-class performance in business reengineering and process improvement. The only requirements are desire, understanding, a plan, and follow-through. If your company is having difficulty in achieving the improvements and results you seek, you should:

- address the problems and issues that apply to your organization;
- measure and track your **Cycle Time of Improvement, Breakthrough Improvement, and Profit Growth**; and
- take actions to excel in the practices which appear to be related to the measures above.

Then perhaps your company will see the improvements and results many companies are seeking.

## *Ratings on Practices*

Based on the distribution of the responses on improvement practices, we have divided the practices into three categories of ratings, which include:

- Category I: distribution centered on *Good or Excellent*
- Category II: distribution centered on *Adequate*
- Category III: distribution centered on *Poor or Less Than Adequate*

In general, if the distribution of ratings showed a high count or tendency toward one category, then we placed that practice into that category. For instance, the total of the *Good or Excellent* ratings for "**Strategic Intent**" was 77%. Therefore, "**Strategic Intent**" was placed in the *Good or Excellent* category.

The participants in this survey responded to 20 questions, 17 of which were practices. The survey indicated:

- 4 practices in which a majority of the companies were rated *Good or Excellent*,
- 9 in which the majority were rated *Adequate*, and
- 4 in which the majority were rated *Poor or Less Than Adequate*.

### **Category I Practices: Good or Excellent Ratings**

#### **Observations and Conclusions:**

A large majority of respondents indicated that their companies were *Good or Excellent* in only four practices:

- **Strategic Intent**
- **Motivation for Reengineering**
- **Project Scope**
- **Team Size**

Nearly 80% of the companies had a clear **Strategic Intent**. This is a good beginning for reengineering programs.

Nearly 70% indicated that their **Motivation for Reengineering** was a focus on improving business processes and an increased focus on the customer. It seems that most companies are reengineering to get ahead of the competition.

More than 65% indicated a **Project Scope** which included multiple business functions and information systems, sometimes including suppliers and customers. Perhaps this number could be much higher, but consider that not all reengineering efforts need to involve suppliers and customers.

Over 80% of respondents indicated that their improvement **Team Size** was less than 20 people. Since work gets done in small groups, this is a positive sign.

### ***Category II Practices: Adequate Ratings***

#### **Observations and Conclusions:**

The survey indicated nine practices in which the distribution centered on *Adequate*. Significant opportunities for improvement exist in all of the following practices:

- **Frequency and Integration of Planning**
- **Participation and Empowerment**
- **Performance Measurement**
- **Project Team Composition**
- **Management Commitment to Implementation**
- **Facilities, Methods, Tools and Support**
- **Focus of Efforts**
- **Adequacy of Resources**
- **Number of Facilities**

Ratings on **Frequency and Integration of Planning** showed that many companies do not plan appropriately. Most adjust their plans less than once per year. Only 42% integrate their plans to improve different aspects of the business.

All of the talk and effort concerning **Participation and Empowerment** may finally be paying off -- over 40% of the companies indicated a high level of participation.

Both **Performance Measurement** and **Project Team Composition** were judged as only adequate. With performance measurement (and rewards) as a key influence on most businesses and the growing importance of teams, companies should strive to improve in both of these areas.

While over 40% indicated a strong **Management Commitment to Implementation**, nearly as many thought that management commitment was weak. Performance on this practice needs to be much higher, but the fact that this many companies are getting the right commitment is an accomplishment.

The distribution of responses for **Facilities, Methods, Tools and Support** for the reengineering team centered on Adequate. We see that most teams are able to get at least adequate support infrastructure and resources.

The **Focus of Reengineering** effort is not very clear. The distribution of responses was centered on slightly less than adequate. More than 80% of the respondents indicated that the focus at their companies was only Adequate or Poor.

For the practice of **Adequacy of Resources**, respondents indicated a rather centered distribution, with 43% indicating adequate resources and 33% indicating some significant shortage of resources.

For the practice of **Number of Facilities Represented**, respondents indicated a rather centered distribution, with 33% indicating that "a few" facilities were involved in the reengineering effort. This seems to indicate that a number of efforts go well beyond the four walls of one company location.

### ***Category III Practices: Poor or Less Than Adequate Ratings***

#### **Observations and Conclusions:**

The survey indicated four practices in which the distribution of the responses centered on **Poor or Less Than Adequate**. This set of practices gets to the crux of why so many companies are having difficulty in reengineering. The practices are:

- Comprehensive Planning
- Communication
- Understanding
- Leverage

Poor ratings on practices such as **Communication** about reengineering efforts, **Understanding of Reengineering**, and **Leverage of Learnings** all spell trouble for reengineering and process improvement efforts at many companies. In addition, the lack of **Comprehensive Planning** makes matters worse because of confusion and lack of coordination between improvement efforts and teams.

Less than half of the respondents indicated that their companies develop formal strategies and integrated **Plans** for organization, process, technology, and information.

Less than 10% of the respondents rated their companies as providing very frequent and informative **Communications**. This is a major improvement opportunity for team leaders, project managers, process owners, and sponsors of reengineering projects. Poor communication is one of the leading causes of failure in reengineering efforts.

Fully 55% of the respondents indicated that people at their companies had at best a poor or almost adequate **Understanding** of reengineering. Only 23% had a good or excellent understanding.

In general, a low percentage of respondents (23%) indicated that their companies were good or excellent at **Leverage** of improvements and learnings from one part of the company to improve operations in other parts of the company. Over 50% rated their companies' practices as poor or ad-hoc in this area.

## *Ratings on Measures*

In order to understand what sets leaders apart from the rest of the group, we have studied the survey responses on the three measures of world-class improvement:

- **Cycle Time of Improvement** -- the time required to plan and implement changes.
- **Recent Results** -- profit growth (% in last 5 years).
- **Creativity** -- the level of innovation and breakthrough improvements achieved.

These three measures were included to help determine if strong performance on our 17 Critical Practices impacts business results. We have looked at these measures from two different perspectives:

- Achieving World-Class Improvement
- What Differentiates the Improvement Leaders

### *Achieving World-Class Improvement*

#### **Observations and Conclusions:**

Because a large percentage of the companies represented in this survey were in the early stages of reengineering, it is understandable that only a few participants indicated that their companies had achieved breakthrough results to date.

The overall survey results identified **no Measures** in which a majority of the companies were rated **Good or Excellent**.

Only two companies in our survey have good or excellent ratings in both Measures of **Cycle Time** and **Creativity/Breakthrough Improvement** (Questions 6 and 14). These companies seem to excel in almost every practice. In fact, they rated on the top third of the distribution on all practices except for three, where they rated adequate. Each of these two companies scored an average of 3.8 out of 5.0 across all practices and measures rather than the range of 1.6 to 4.2 averaged by all of the companies.

We found a high correlation between high performance on the Critical Practices and achieving world-class improvement.

Bottom line, less than 5% of the organizations in the survey are improving at a world-class pace. We believe this number could grow substantially by attention to the practices discussed in this summary.

## ***What Differentiates the Improvement Leaders?***

What's the secret of the "winning" companies? If "winning" the improvement game can be measured by lowering the cycle time of improvement, achieving breakthrough results, and growing profits, then a look at the practices of companies which excel on these measures may bring some insight. Because high profit growth can be a result of many factors, especially general market conditions, you may wish to place less emphasis on the results related to that measure. In some industries, just staying in business is quite a feat. Our key findings are listed below.

### **Improvement Leaders Seem to Be Good at Everything**

Only two companies in our survey have a good or excellent rating in both **Cycle Time of Improvement** and **Creativity/Breakthrough Results**. These two companies seem to excel in almost every practice, in fact, they rated on the top third of the distribution on all but three practices, where they rated adequate.

### **Cycle Time of Improvement is Related to Four Practices**

In the area of **Cycle Time of Improvement**, only 7% indicated that their companies consistently finish projects in one-third or one-half of the time previously required. Those companies also seem to do well at:

- **Project Team** -- very good mix of experience and skills
- **Performance Measurement** -- strong focus on performance measurement
- **Frequency and Integration of Planning** -- formal, integrated planning
- **Project Scope** -- involvement of suppliers, customers and multiple processes

### **Creative, Breakthrough Improvement is Related to Seven Practices**

Only 22% of the companies had achieved any amount of **Creative, Breakthrough Improvement** in reengineering projects. However, 40% had registered significant improvement in some areas. Those companies achieving breakthrough improvements clearly seem to excel at:

- **Focus** -- excellent focus
- **Understanding** -- excellent understanding of reengineering
- **Management Commitment to Implementation** -- high commitment, strong follow-through
- **Facilities, Methods, Tools and Support** -- excellent methods, tools, facilities, and support
- **Leverage** -- specific mechanisms in place to promote sharing and leverage of improvements
- **Number of Facilities** -- all facilities represented
- **Resources** -- adequate resources for planning and implementation

## **Profit Growth is Related to Two Practices**

If one were to consider **Profit Growth** as a valid measure, it is worth noting that only 13% of the companies have had **Profit Growth** of more than 33% (6% compounded growth) in the last five years. Fully 50% had seen no profit growth in the last five years. Those companies which had significant, consistent profit growth seem to excel in two practices:

- **Performance Measurement** -- strong focus on performance measurement
- **Management Commitment to Implementation** -- high commitment, strong follow-through

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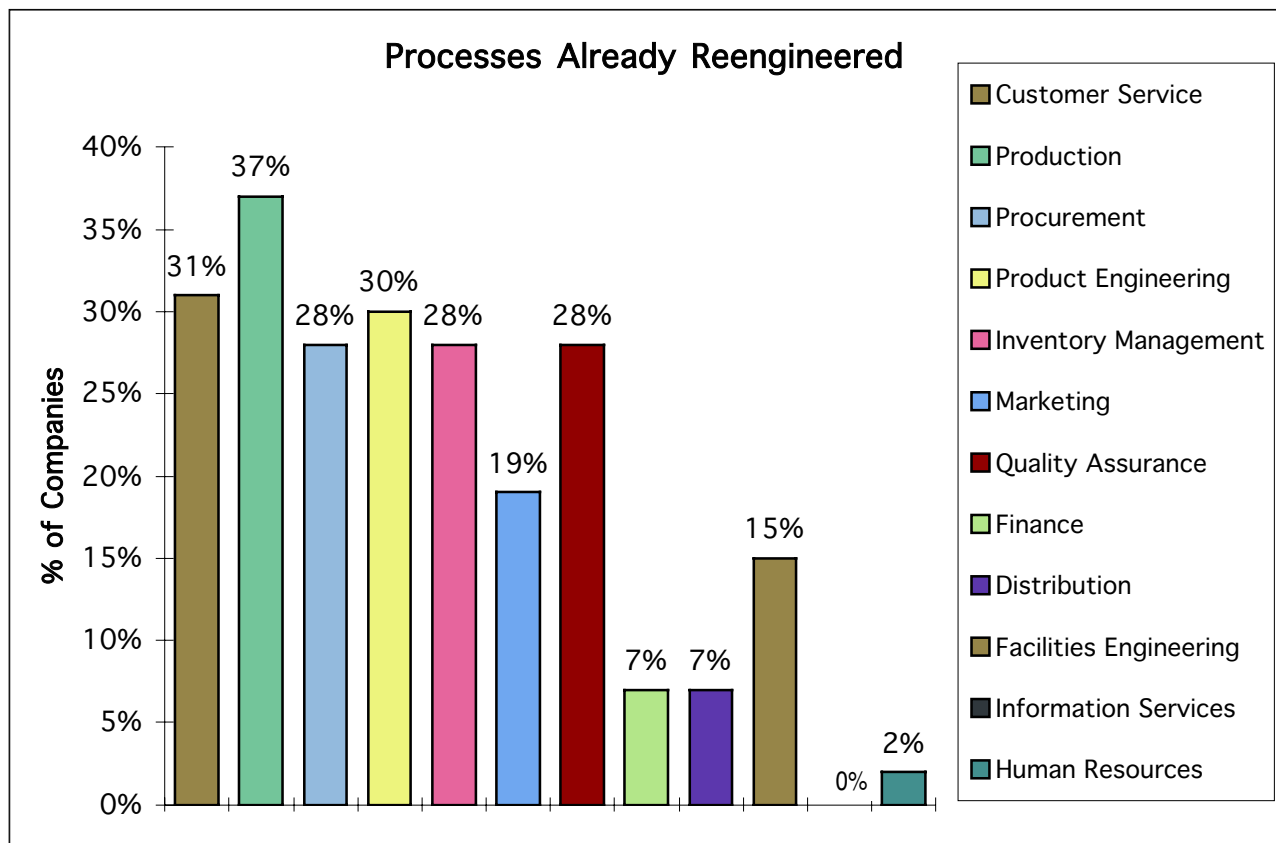
## *Most Frequently Reengineered Processes*

We asked respondents to tell us what functions or processes their company had already reengineered or would reengineer in the future. A high-level summary of their responses is shown on the next three pages.

### **Functions/Processes Which Companies Have Already Reengineered (Figure 1)**

The most-frequently reengineered functions and processes were: *Production*, *Customer Service*, *Product Engineering*, *Procurement*, *Quality Assurance*, and *Inventory Management*. Some organizations have already reengineered *Marketing*, *Facilities Engineering*, *Finance*, and *Distribution*. Very few companies have reengineered *Information Services* or *Human Resources*.

**Figure 1**

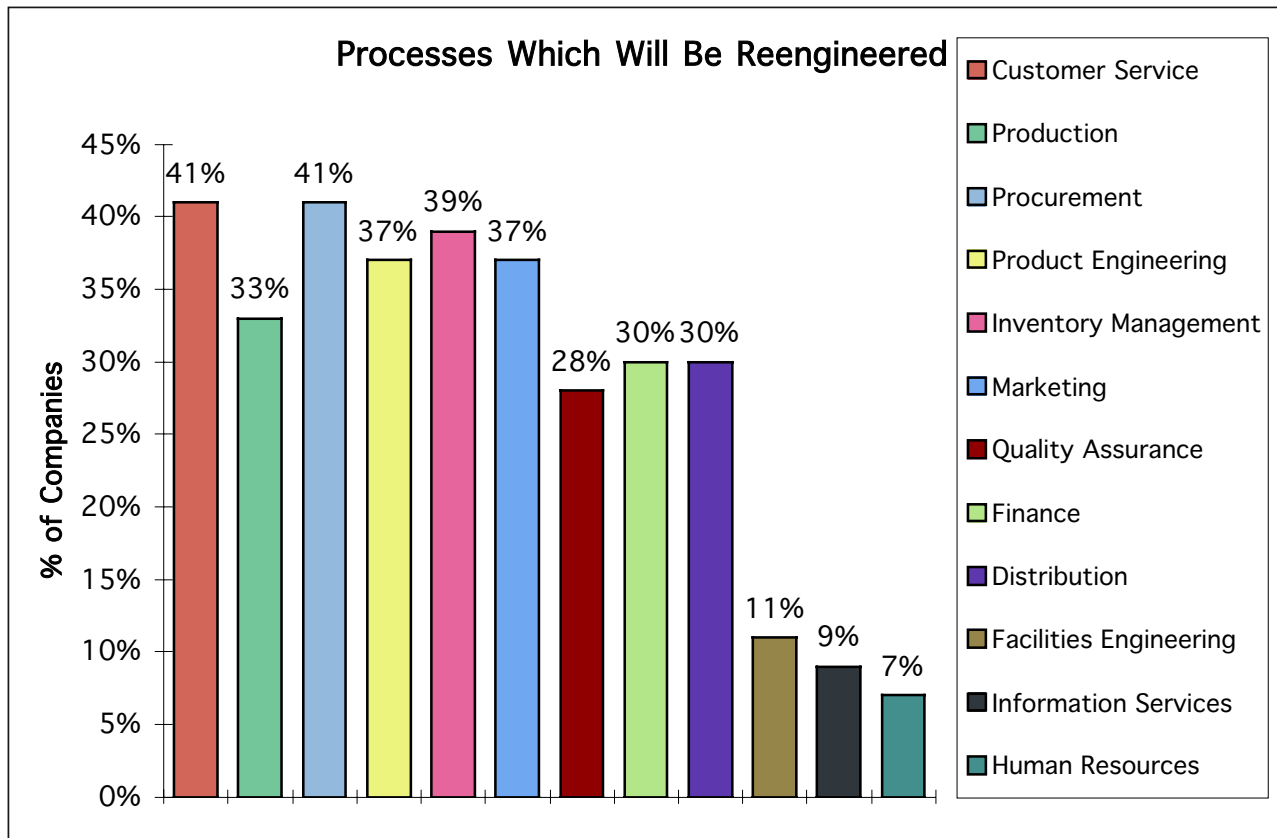


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## Functions/Processes Which Companies Will Reengineer (Figure 2)

The functions and processes most frequently named for future reengineering include: *Customer Service*, *Procurement*, *Inventory Management*, *Marketing*, *Product Engineering*, and *Production*. Some organizations are planning to reengineer *Finance*, *Distribution*, *Quality Assurance* and *Facilities Engineering*. A few organizations are planning to reengineer *Information Services* or *Human Resources*.

Figure 2



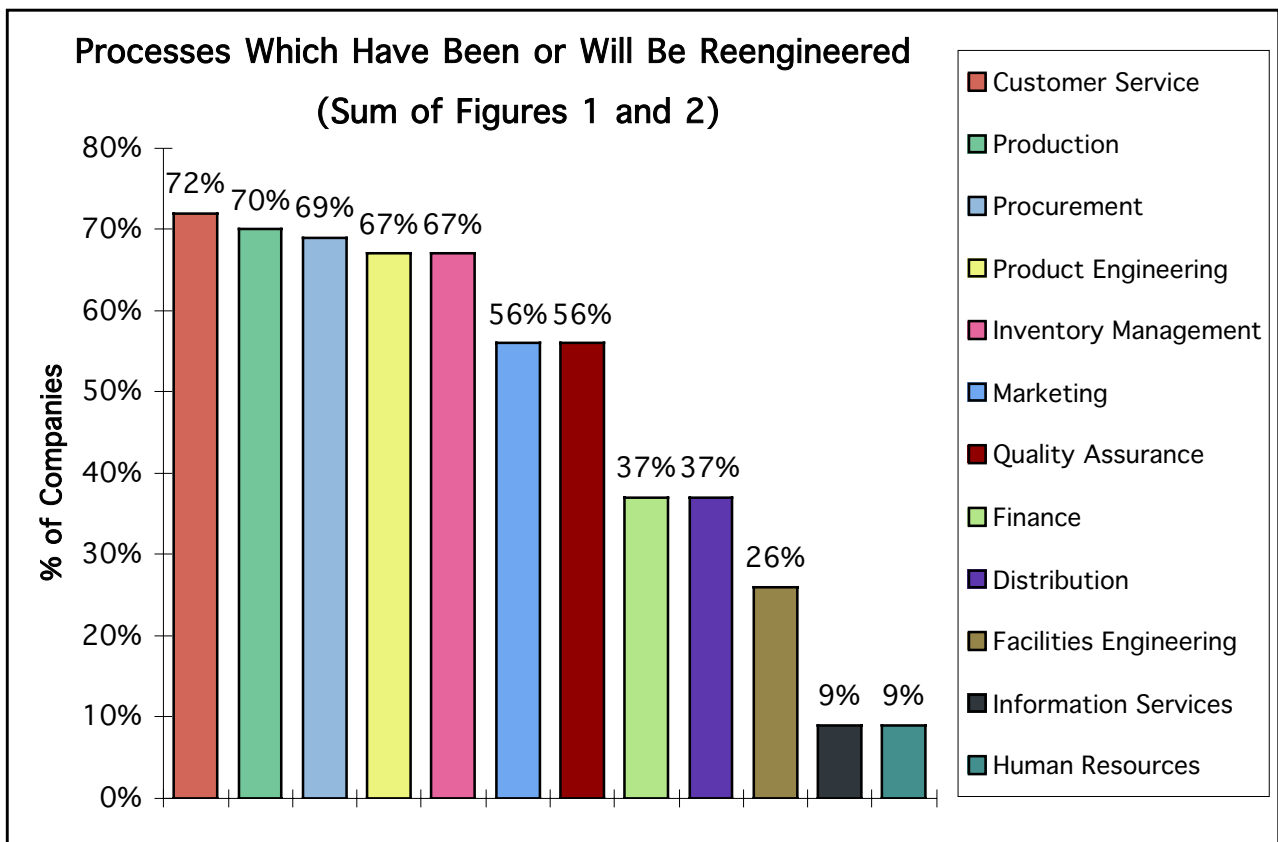
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### Functions/Processes Which Have Been or Will Be Reengineered (Figure 3)

Reengineering is still relatively new in many organizations. Many more processes remain to be reengineered than have been reengineered. For example, only 37% of the organizations surveyed have as yet reengineered even *Production*, the most frequently reengineered function/process in our survey. Another 33% plan to reengineer it in the future. *Customer Service*, *Procurement*, *Product Engineering*, and *Inventory Management* show similar numbers.

*Marketing*, *Finance*, *Distribution*, and *Information Services* appear to be the areas in which many companies will attempt new reengineering efforts in the near future.

**Figure 3**



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## *Problems and Issues with Reengineering*

As part of our survey, we asked participants to list the three biggest problems or issues that their companies were experiencing with reengineering. We have summarized their comments and will use these as a new section in our 1995 survey. The most commonly cited issues are listed below. The order of the list indicates the approximate frequency of occurrence, in descending order.

1. Reengineering program is too big and lacks focus.
2. Management and team members do not understand reengineering.
3. Inadequate resources to plan and implement.
4. Cycle time of the reengineering process is too long.
5. Incomplete definition and scope of the reengineering effort.
6. Conflict and coordination with other improvement projects and teams.
7. Lack of a structure for making improvements.
8. Unclear strategy and program objectives.
9. Inability to manage and accept rapid change.
10. Capital constraints/justification when proposing information systems enablers, etc.
11. Lack of top and middle management sponsorship, commitment, confidence, involvement.
12. Constraints created by "unchangeable" product specifications, or government or company policies.

We have provided detailed descriptions of each of these issues on pages 48 – 51.

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## *Section III:*

### *Detailed Results*

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The following pages contain the first 20 questions and summarized responses for each. In addition, we offer our Observations and Conclusions and give you the opportunity to draw your own.

As a reminder, our survey uses a maturity matrix, measuring five increasing levels of performance for each practice or measure. Respondents were asked to indicate the level which best describes their company. For example, the survey question and summarized answers for Practice 1, **Strategic Intent**, are shown on the next page.

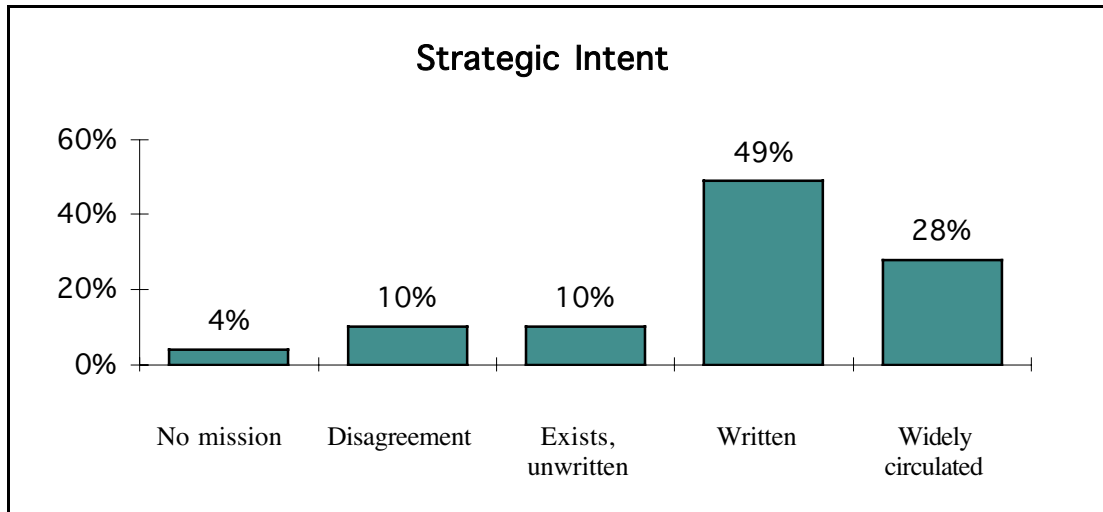
The maturity levels increase from left to right, with the highest level of performance on the far right. The lowest level is on the far left. We consider the middle to be **Adequate**. One must be at a "Level 4" to have better than adequate or good performance on a practice. All questions follow these conventions, except for Question 12, **Team Size**. The percentages indicate the summarized responses from the survey. Because some participants did not have an answer, or a question was not applicable, the total percentages do not always add up to 100%.

After the statistical summary, you will find a discussion of the *Problems and Issues with Reengineering and Process Improvement*.

## Statistical Summary of 20 Questions

### 1. Strategic Intent

- *existence and communication of missions for major functions and organizations*



#### Observations:

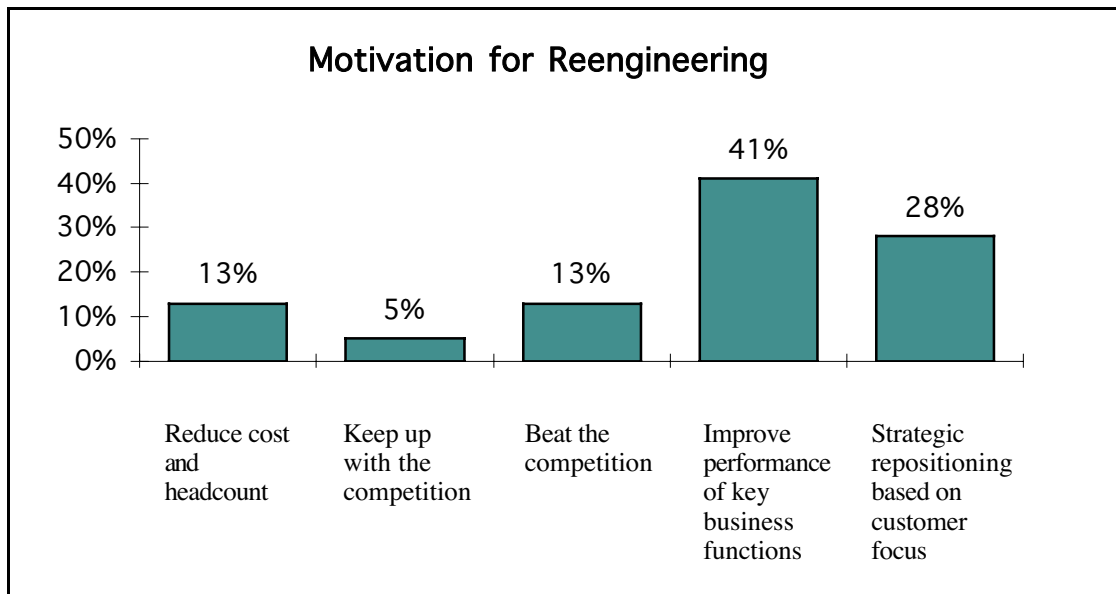
- Most respondents indicated that their company had clear missions, which are often written and sometimes widely circulated.

#### Conclusions:

- Strategic intent of the business is generally not an issue.

## 2. Motivation for Reengineering

– *what benefits have motivated your company to reengineer?*



### Observations:

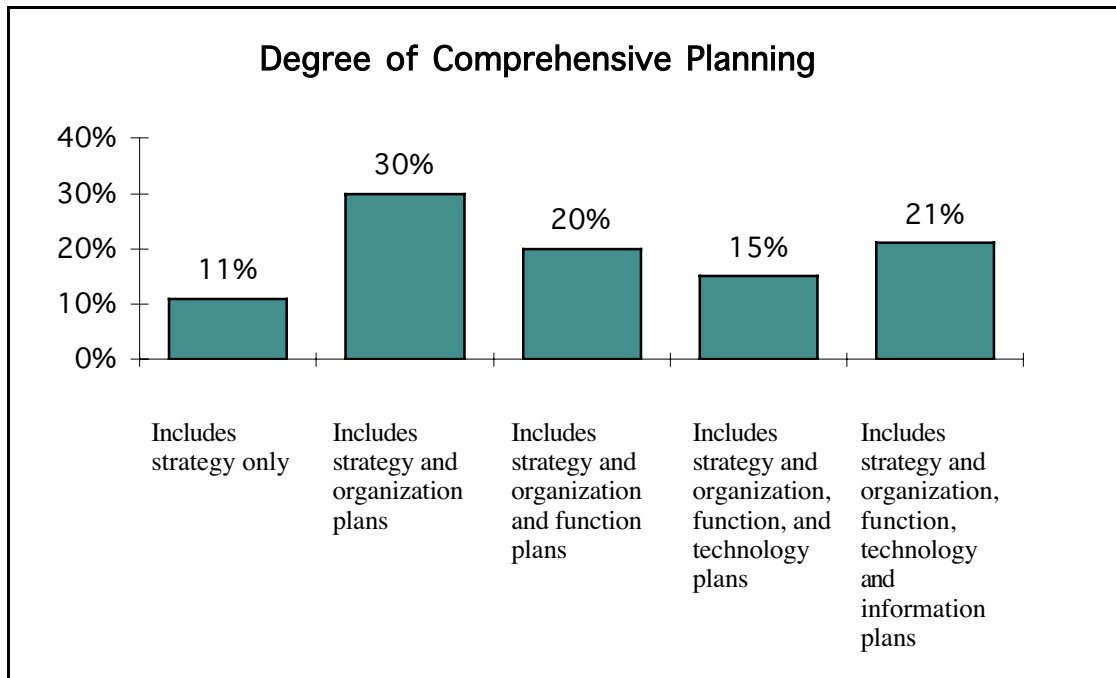
- Primary focus of reengineering is strategic repositioning and improving performance of key business functions.
- Secondary focus is to reduce costs and beat the competition.
- Most companies are aiming at least to beat the competition, not just catch up with them.
- Those who have not successfully stayed out in front often try reengineering to help cut costs.

### Conclusions:

- Reengineering is being pursued by leading companies to lengthen their lead and by trailing companies to “leapfrog” the competition, or in some cases, to “stop the bleeding.”

### 3. Comprehensive Planning

- extent to which formal plans include strategy, organization, function, technology and information



#### Observations:

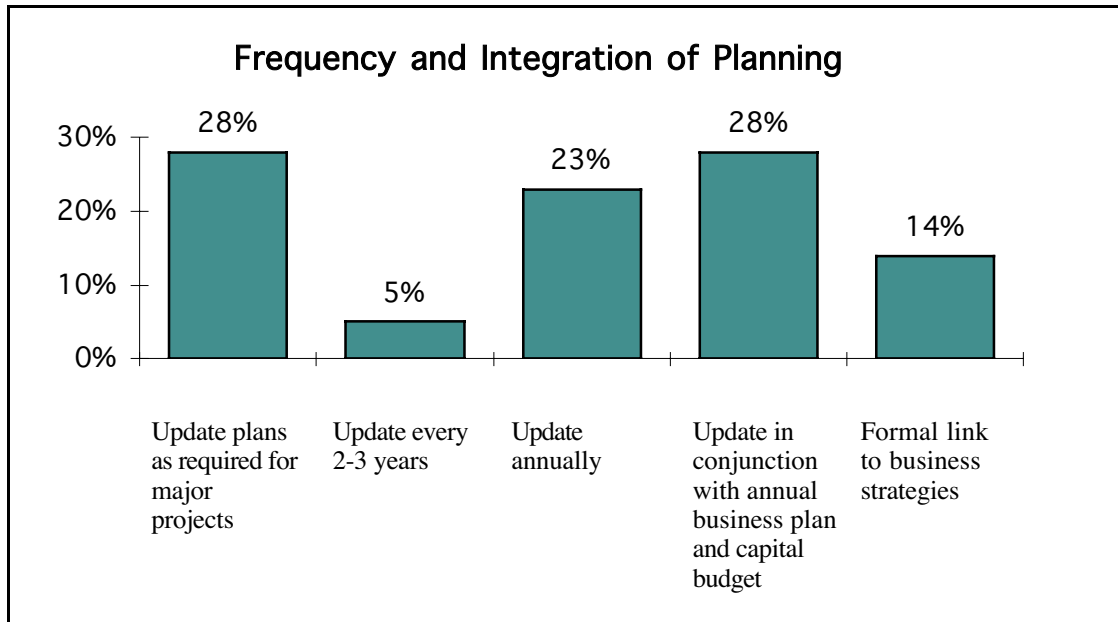
- Moderate degree of comprehensive planning with over 50% of respondents indicating that their companies include "functional" plans in addition to strategy and organizational plans.
- 20% include technology and information plans in addition to strategy, organization and "functional" plans.

#### Conclusions:

- Many companies have recognized the need for comprehensive planning and are not only setting broad company strategies, but are realizing those strategies via multi-dimensional improvement plans.

## 4. Frequency and Integration of Planning

- *coordination of strategy with function, organization, technology and information systems plans*



### Observations:

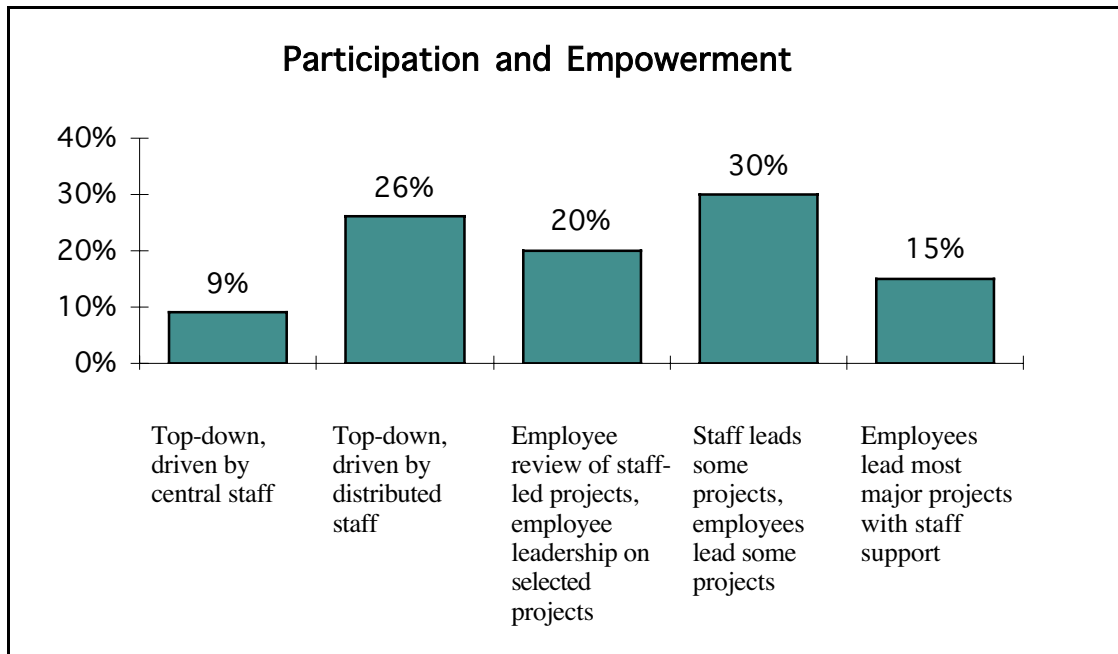
- Most survey responses indicated an annual planning process, which is often linked to capital budgeting and business strategic planning.
- Another popular way of coordinating plans is to update them as required for major projects.

### Conclusions:

- Most companies develop annual plans, but plans are linked to capital budgets, not business strategies.

## 5. Participation and Empowerment

– *employee input and control over business process design*



### Observations:

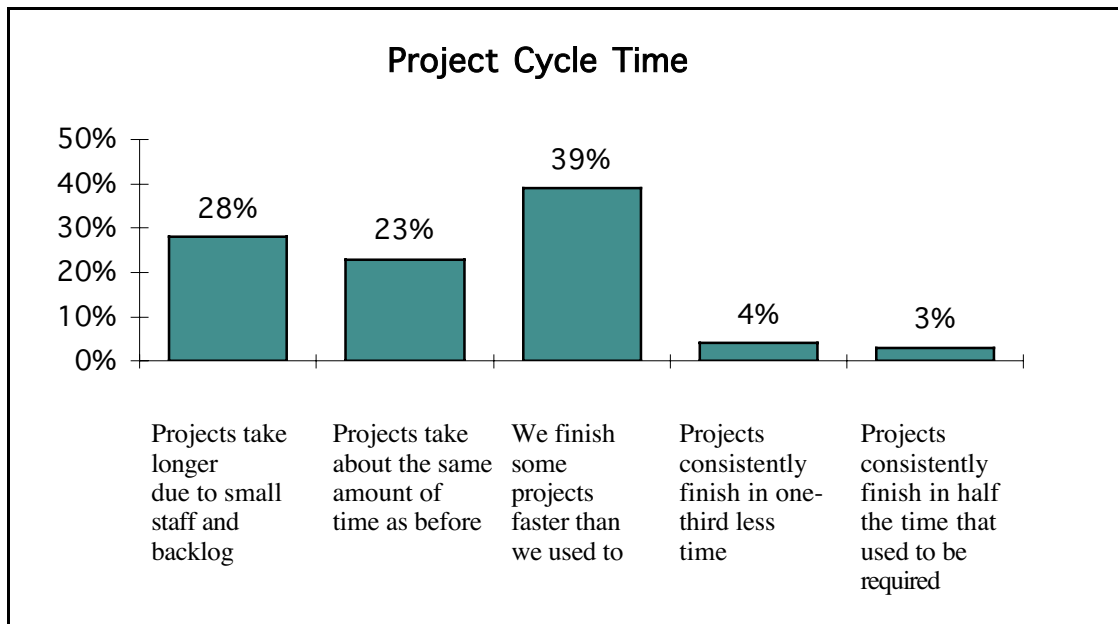
- Two-thirds of the companies have significant levels of employee involvement.
- One-third of the respondents indicated that their business process design efforts are primarily top-down.

### Conclusions:

- It appears that most organizations are truly moving toward greater employee involvement.

## 6. Cycle Time on Typical Business Improvement Projects

– time required to plan and implement changes (past 5 years)



### Observations:

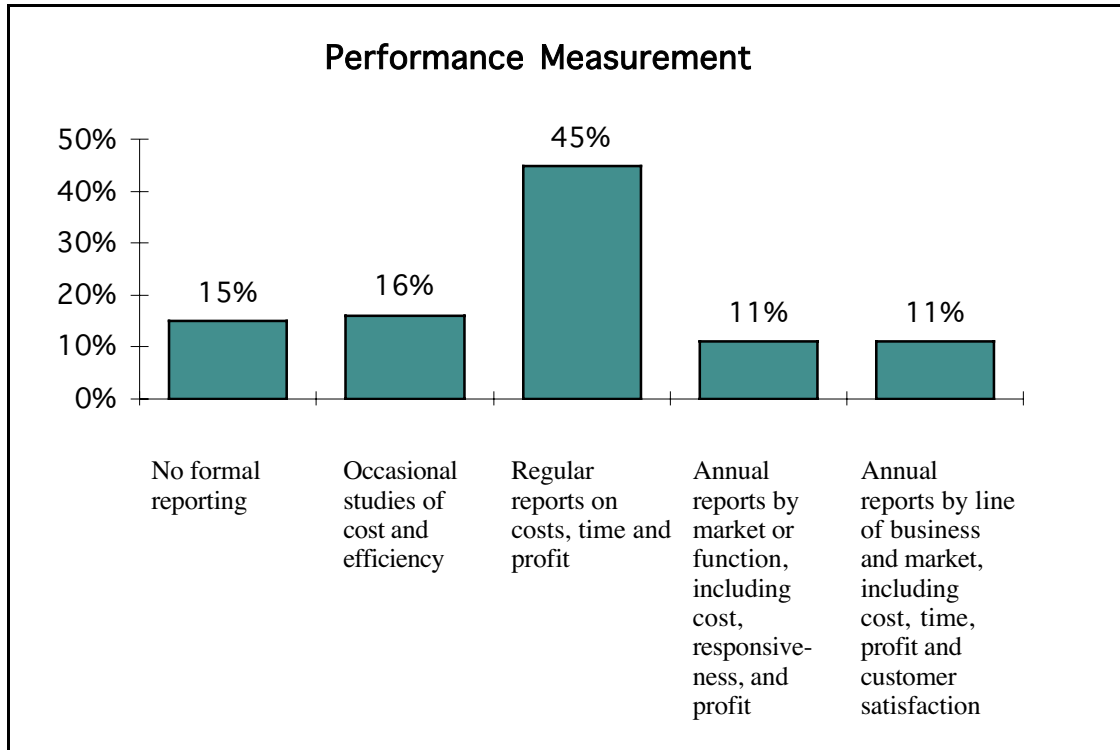
- Over one-half of the respondents indicated that improvement projects take as long as or longer than they used to.
- The other half shows some improvement in the time required to plan and implement improvements.

### Conclusions:

- As business cycles and processes have sped up substantially, implementation of improvements has not.
- The fact that 51% of the respondents said that the "Cycle Time" of improvement is the same or longer than it used to be indicates that this is an area many companies need to work on.
- This issue may be symptomatic of poor improvement planning, too many projects, poor project management, or long delays (due to budget cycles) between project definition and project approval.

## 7. Performance Measurement

– *tracking of business effectiveness*



### Observations:

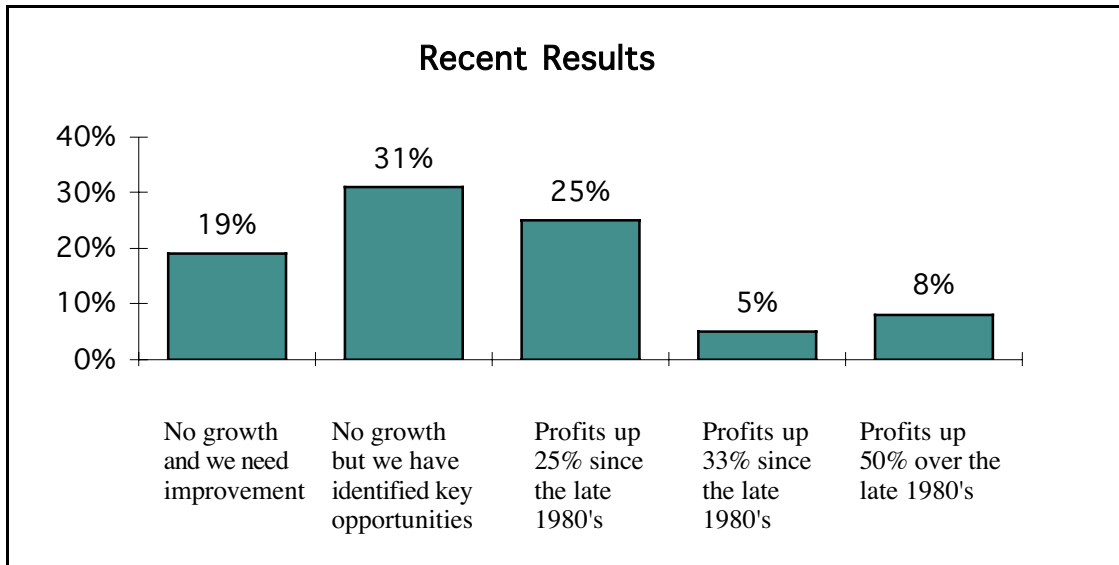
- A full 15% of respondents indicated no formal performance reporting.
- Most respondents measure and report cost, time and profit on a periodic basis.
- Some organizations are beginning to measure responsiveness.
- Few businesses measure and report customer satisfaction as a key performance indicator (only 11%).

### Conclusions:

- Industry still has a long way to go on improving performance measurement and feedback.

## 8. Recent Results

– Profit growth (% change in last 5 years)



### Observations:

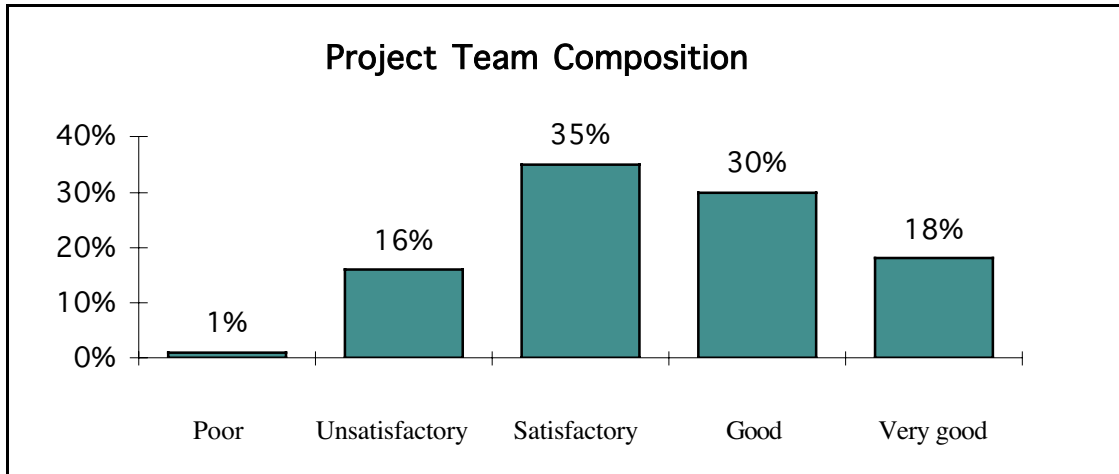
- Fully 75% of respondents indicated profit growth of 25% or less since the late 1980's.

### Conclusions:

- We should attempt to understand and learn from the business improvement practices of those companies whose profits increased 33% or more in the same period.

## 9. Project Team

– *mix of experience, skill and personal characteristics*



### Observations:

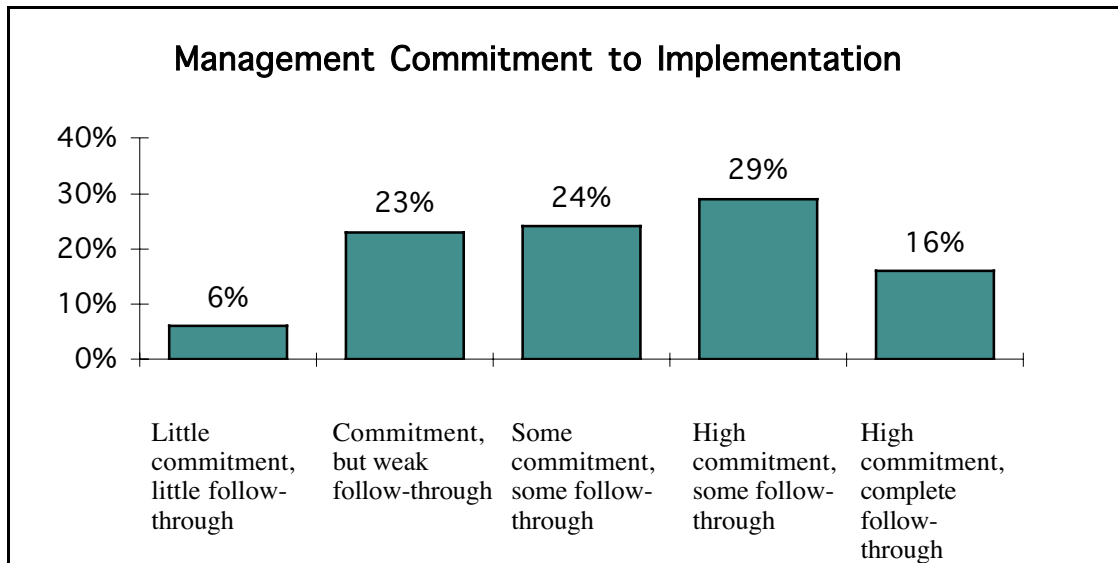
- Most respondents were satisfied with the composition of their teams.
- Only 17% rated their teams as less than satisfactory.

### Conclusions:

- It appears that most companies have learned how to create good teams through a mix of the right resources.

## 10. Management Commitment to Implementation

- *commitment and follow-through from planning to implementation*



### Observations:

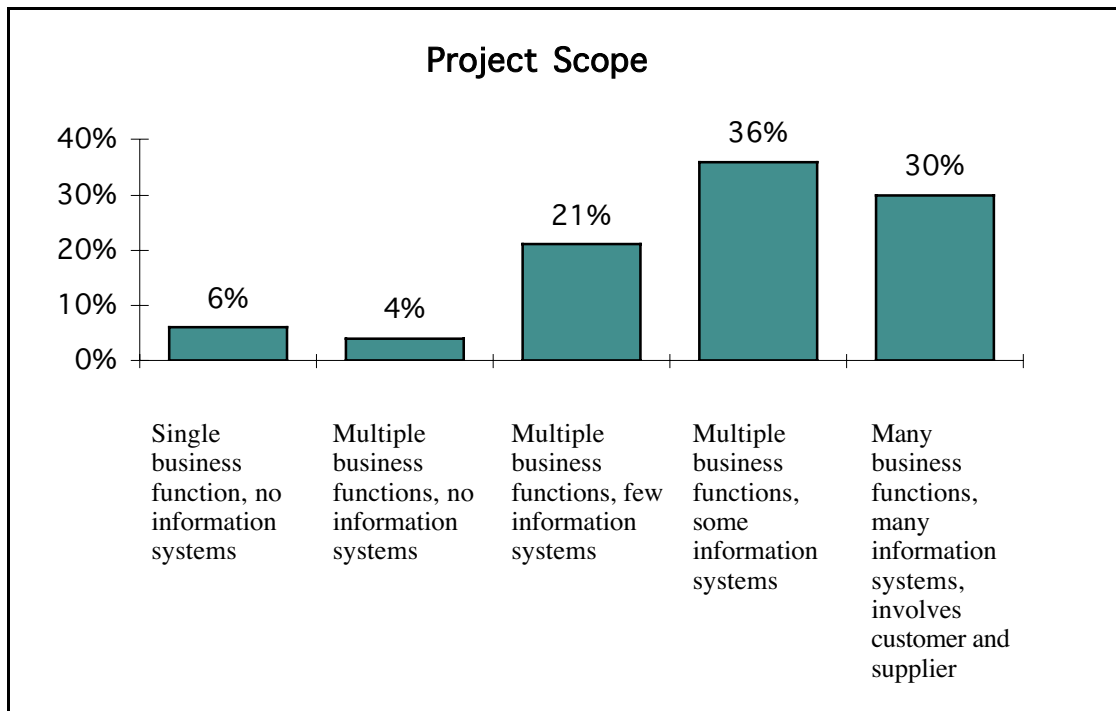
- Most respondents indicated some management commitment for planning and implementing significant improvements.
- Executive management does not lack commitment to change.
- Although 45% of participants indicated a high level of management commitment and follow-through, the remainder of the respondents do not view their organization as having a high commitment to implementation.

### Conclusions:

- For reengineering to succeed in half of these organizations, commitment to implement must improve dramatically.

## 11. Project Scope

– *breadth and depth of your improvement projects*



### Observations:

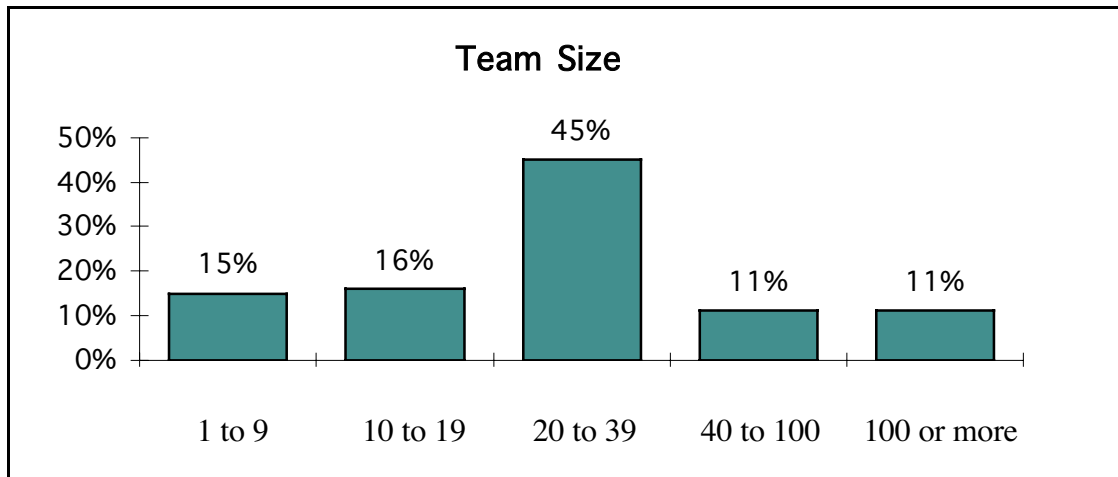
- Majority (90%) see the strength of combining process and information systems improvement.
- Over one-fourth of respondents indicated supplier and customer involvement in improvement projects.

### Conclusions:

- The scope of improvement projects is, in general, rather broad.
- The fact that a large majority of projects involve multiple business functions, information systems, customers and suppliers shows that many organizations are starting their reengineering programs with an appropriate scope.

## 12. Team Size

- *number of employees involved in a typical reengineering project*



### Observations:

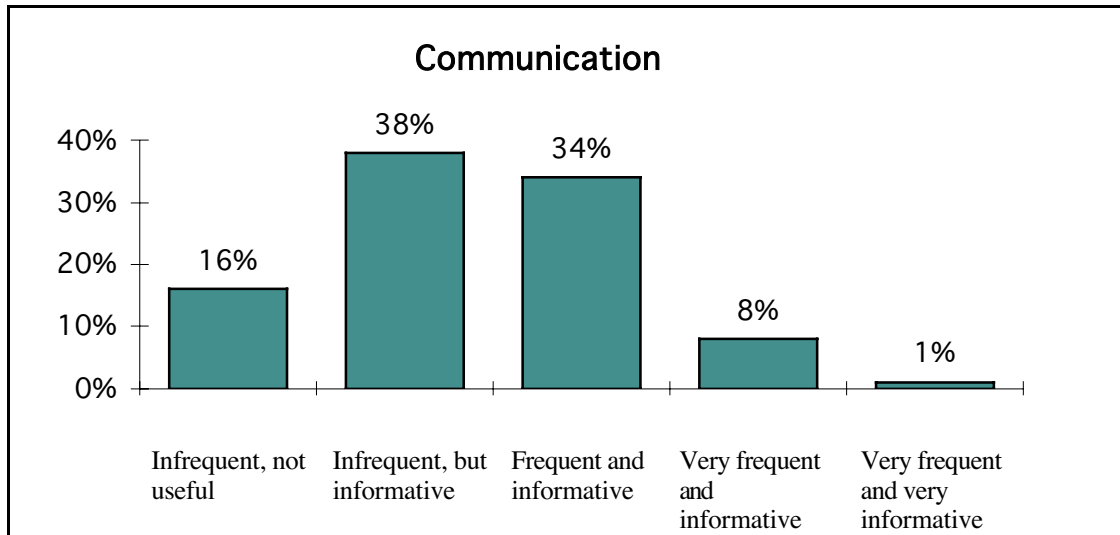
- Small working groups make reengineering possible.
- 80% of respondents indicated that their improvement teams were less than 20 people.

### Conclusions:

- Small teams seem to have permeated the reengineering arena, and appropriately so.
- We suggest that management provide some structure and focus for the teams, as well as an opportunity for independent small teams to coordinate.
- While small work teams are better than large ones, survey results may also indicate that the scope of reengineering efforts is too narrow or that implementation (which requires the most resources) is not occurring.

## 13. Communication

- *frequency and quality of communication about reengineering projects*



### Observations:

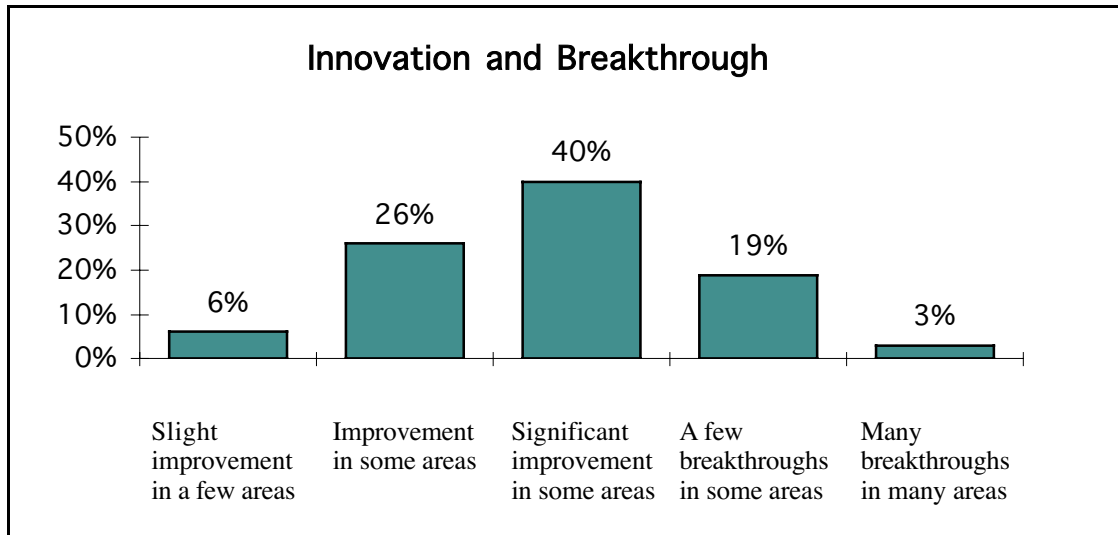
- Communication is not very frequent, but is informative--less than 10% of respondents rated current communication about reengineering projects, as very frequent and informative.

### Conclusions:

- More frequent communication is needed before, during and after reengineering.

## 14. Creativity

- *level of innovation and breakthrough improvements achieved across all reengineering projects*



### Observations:

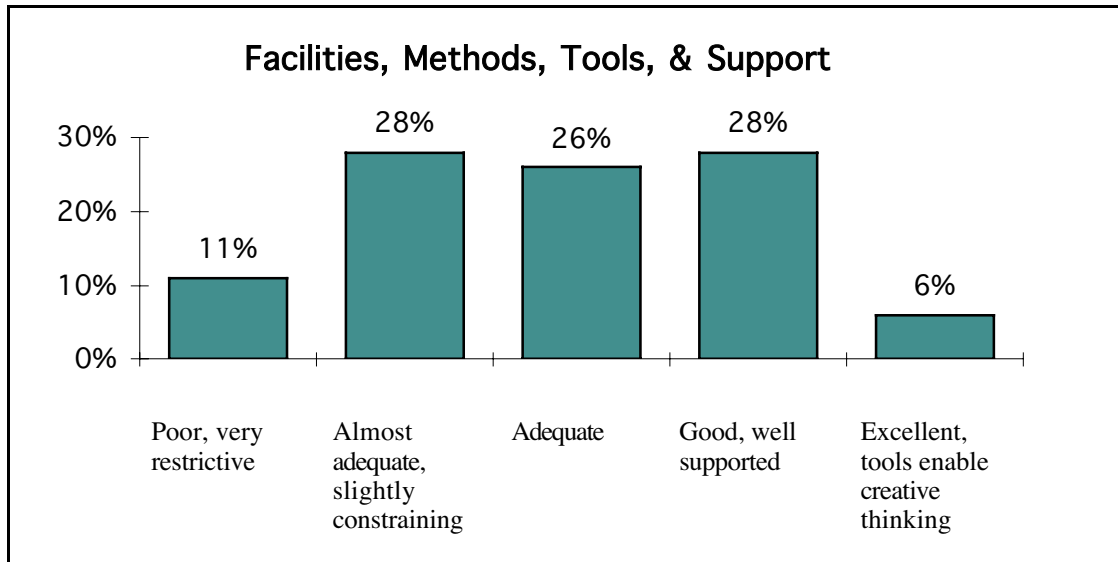
- Over 60% noted at least significant improvement in some areas.
- Over 20% indicated a few breakthroughs in some areas.
- Clearly, some companies are achieving breakthroughs while many others are achieving significant improvements.
- Only 6% cited only slight improvement in only a few areas.

### Conclusions:

- Some companies are getting significant improvements through innovation and breakthrough thinking.
- However, the fact that 72% of the respondents said that **Creativity** in developing solutions is only adequate or less than adequate indicates that the promises of BPR have yet to be fulfilled on a broad basis.

## 15. Facilities, Methods, Tools, and Support

– *adequacy of facilities and support for your team*



### Observations:

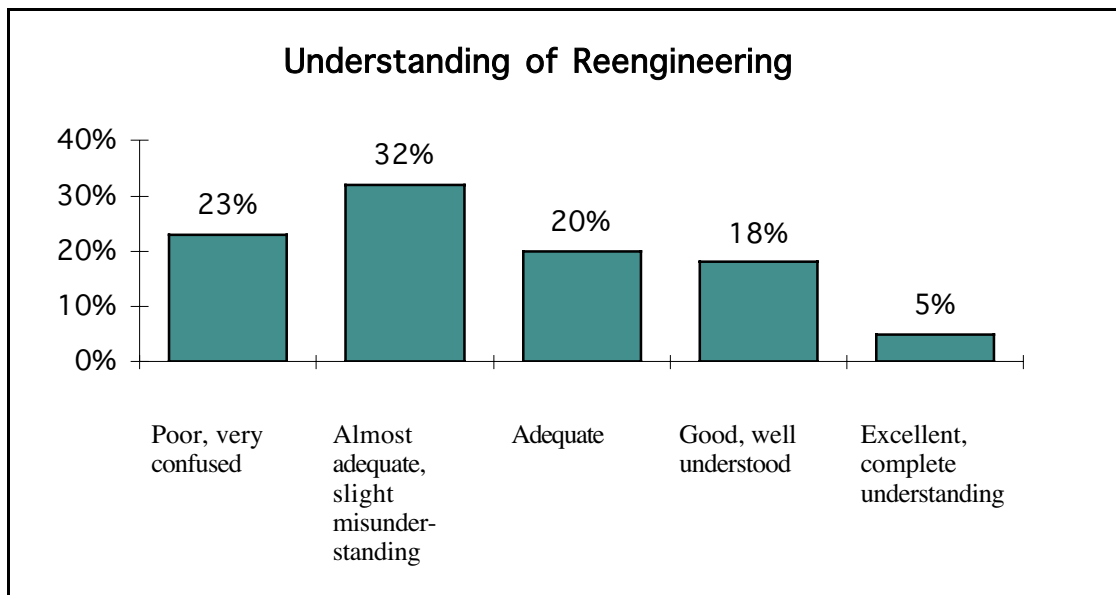
- The ratings on facilities, methods, tools and support for reengineering teams were split nearly equally among Poor/Almost Adequate, Adequate, and Good/World-Class.

### Conclusions:

- While management is committed to improvement, over one-third do not fully understand the infrastructure needed to support reengineering efforts or are not able to provide adequate support for those efforts.

## 16. Understanding

- *management understanding of reengineering in relation to continuous improvement*



### Observations:

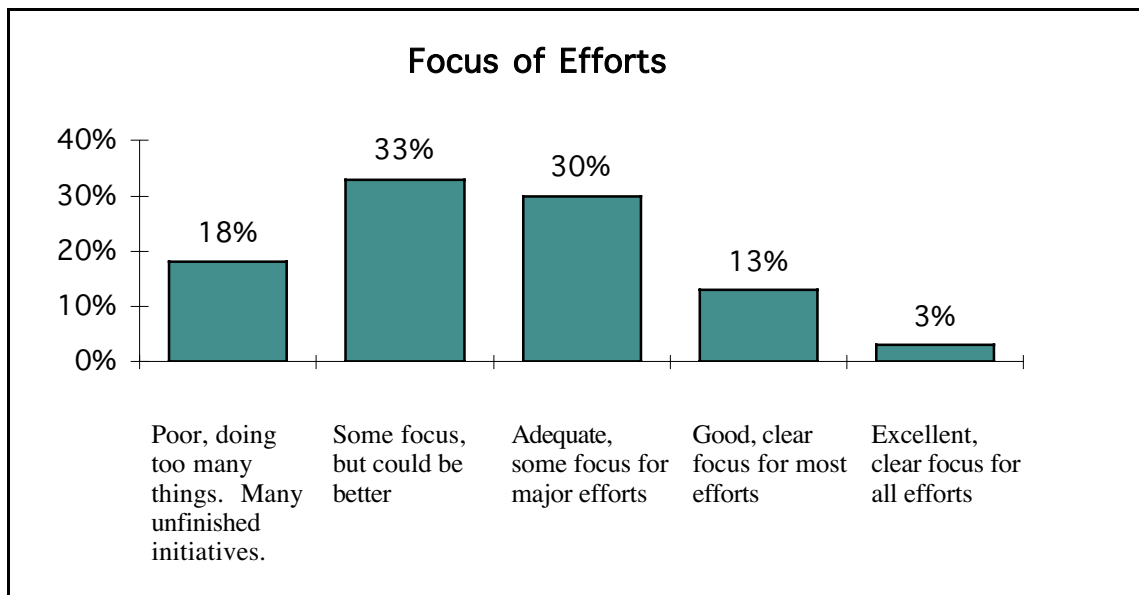
- Only 23% of the respondents indicated that management had a good or excellent understanding of reengineering and continuous improvement.
- Over 50% said that management understanding was less than adequate.

### Conclusions:

- Education of management is on the critical path for successful reengineering efforts. Without stating cause or effect, the survey data clearly shows that most organizations that had poor understanding of reengineering and process improvement also had poor **Recent Results** in financial performance and had not reduced the **Cycle Time of Improvement** (see Questions 6 and 8).

## 17. Focus

- *directing reengineering and other improvement efforts at what is most important*



### Observations:

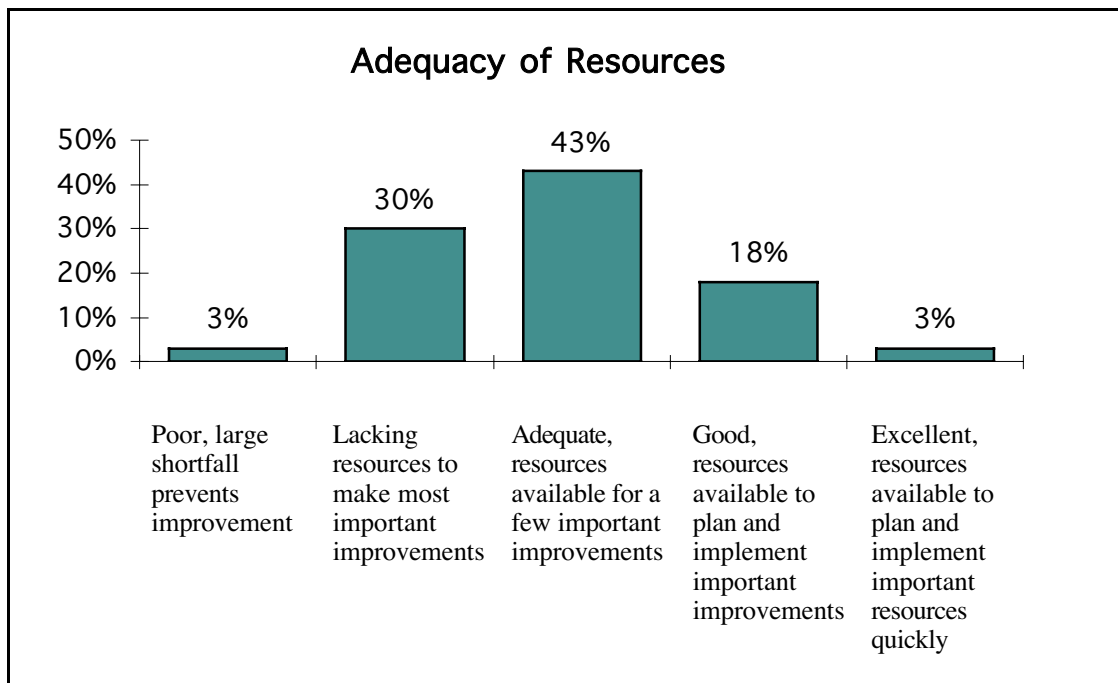
- Only 15% of participants said that the direction of improvement efforts was good or excellent.
- Nearly 20% cited poor direction and many unfinished initiatives.
- More than 50% stated that direction of reengineering and other improvement efforts could be better.

### Conclusions:

- Management is doing a poor job of providing focus and direction to improvement teams.
- Because few organizations today have "extra" resources, management must address this issue immediately.

## 18. Resources

- *adequacy of resources to plan and implement reengineering and other improvements*



### Observations:

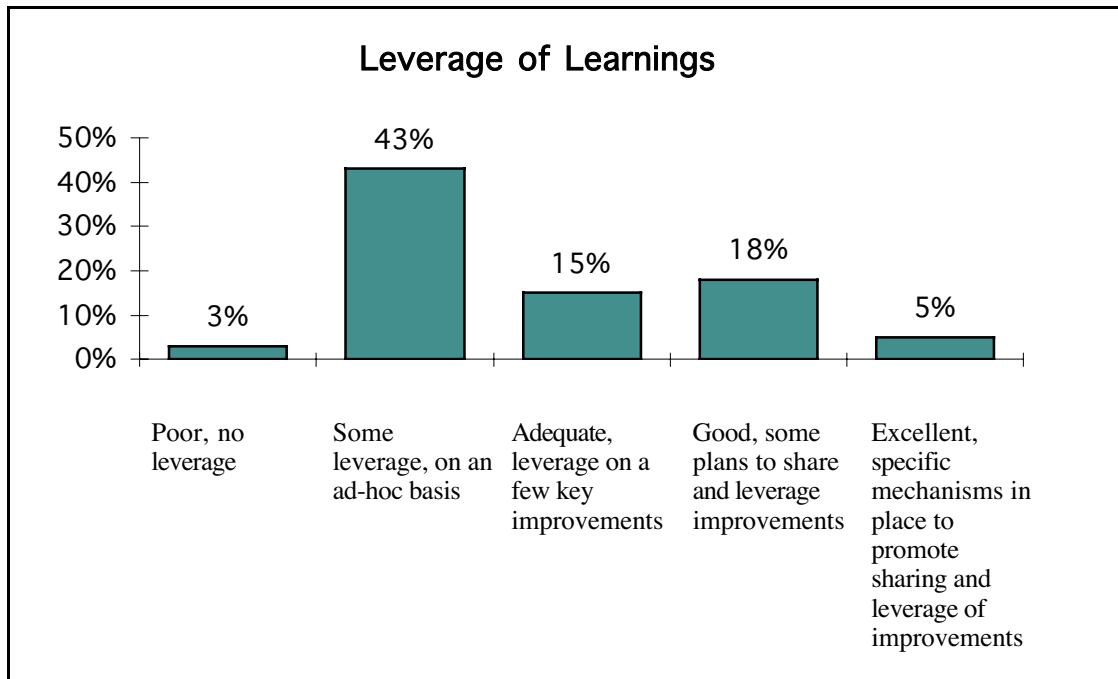
- Many companies (43%) do provide adequate resources for a few important improvements.
- Only 20% of participants rated resources for reengineering as good or excellent.
- Nearly 33% cited a serious shortage of qualified resources to work on even the most important improvements.

### Conclusions:

- Resource shortages prevent businesses from planning and implementing the most important improvements.

## 19. Leverage

- *applying improvements and lessons learned in one part of the company to other parts of the company*



### Observations:

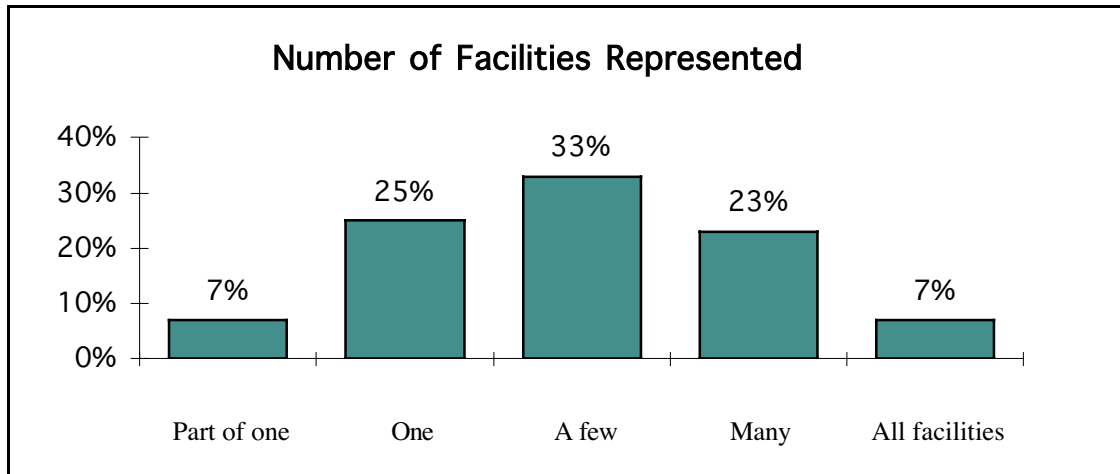
- Overall, most participants rated their companies as adequate to less than adequate in terms of leveraging improvements.
- Only 5% of participants rated their companies as being excellent at leveraging improvements.

### Conclusions:

- Increased leverage of knowledge and resources is a great opportunity for most organizations.
- The responses to other questions, such as Question 18 (**Adequacy of Resources**), shed a great deal of light on this opportunity.

## 20. Number of Facilities

- *number of facilities represented on any given reengineering project*



### Observations:

- The majority (60%) of reengineering efforts involve more than one facility.

### Conclusions:

- We would expect that in the future more reengineering projects will involve many facilities.

## ***Discussion of Problems and Issues with Reengineering***

As part of our survey, we asked each participant to list the three biggest problems or issues that their company was experiencing with reengineering. We have summarized their comments below and will use these as a new section in our upcoming survey.

### ***1. Reengineering program is too big and lacks focus.***

There are too many projects and a severe lack of focus for the teams and leaders of reengineering efforts.

### ***2. Management and team members do not understand reengineering.***

The issues here include a lack of awareness among disparate improvement teams involved in benchmarking, process improvement and reengineering. Another major issue is simply the lack of team member and top management understanding of what BPR is, especially in relation to Total Quality Management and Continuous Improvement. Still others claim that some managers only look at BPR as cost reduction; thus ignoring the other, more positive, benefits such as improved customer service.

### ***3. Inadequate resources to plan and implement.***

The lack of dedicated staff, applicable skills, and availability of personnel is a common issue for companies trying to plan and implement reengineering improvements. These days, since many organizations have cut staff prior to reengineering, it is often difficult to find the resources to commit to an improvement project of any significant size or duration. "Everyone is too busy" doing their daily jobs and doing their part on all of the other improvement initiatives. This situation seems to apply to top management as well as middle management and staff. The last part of this issue relates to the lack of people trained in the concepts and techniques of planning and implementing BPR.

### ***4. Cycle time of the reengineering process.***

The crux of this issue is management's desire for rapid implementation. The desire to be fast and flexible carries into BPR projects as well -- many managers are looking only for the "fast track," not necessarily the "right track." This expectation often causes great frustration to BPR teams, because often they have been asked to take on some of the most significant issues in their business and are given very little time to think, plan, and then do. Frequently, a project takes so long to get off the ground that much of the time originally allocated for mobilization, planning, and implementation is expired before the project really starts. Management often wants to skip the "homework" and jump immediately into a change, without taking the time to plan the change and study its possible impact.

## **5. *Incomplete definition and scope of the reengineering effort.***

Many companies have difficulty in defining and scoping the processes which they should reengineer. Often they will try to reengineer every key process. Sometimes they will reengineer a process because a competitor did. Companies are tempted to skip the Assessment and Prioritization steps of BPR so that they can "get right into really reengineering the processes." Only later do they realize they may be working on processes that have little impact on customers or far less opportunity for improvement than other business processes.

## **6. *Conflict and coordination with other improvement projects and teams.***

Nearly all companies are experiencing this problem. With empowerment and continuous improvement in full swing, it is not uncommon for an employee to be on six to eight improvement teams, in addition to "doing the regular job." Which project is most important? They all are the most important -- to each team. Who has a view of all of the improvement efforts -- usually no one. Who calls the shots on resources? Usually the empowered employee who is on eight different teams. What is the result? Each project gets a little bit of time from the employee, and therefore all projects move forward more slowly than they should. The result at the company level is that teams often duplicate work, sometimes contradict each other, and often slow each other down.

## **7. *Lack of a structure for making improvements.***

Many respondents indicated a lack of a good, industrial-strength methodology, which led to issues such as difficulty in getting organized, getting caught up in the details, and not spending enough time on the details when it matters (before implementation). This lack of a structure also contributes to a lack of understanding on how reengineering is accomplished (Issue #2), as well as the difficulty of coordinating BPR efforts into Information Systems efforts (Issue #6).

## **8. *Unclear strategy and program objectives.***

Often reengineering teams find that they are not working toward a common goal. The cause is usually attributed to one of four things:

- lack of a clear, actionable, company mission or vision;
- poor communication of the existing mission and vision;
- no connection between the reengineering program or project and the overall company vision; and
- expectations of sponsors which are contradictory to the mission/vision.

## ***9. Inability to manage and accept rapid change.***

Change is hard, especially when little attention is given to managing it. Many respondents indicated that their organization is experiencing symptoms of poor morale, confusion, culture shock, and fear of layoffs due to previous changes or expectations of future changes. These symptoms have a real impact on company performance too -- often a negative one. Attempts to make major change in this environment will be quite difficult. The real issues which managers and employees must address include:

- instilling a more radical, change-oriented mindset;
- cultural acceptance of the reengineering process;
- natural resistance to change; and
- training of employees -- technical skills, team work, improvement skills, etc.

## ***10. Capital constraints/justification when proposing information systems enablers, etc.***

Often reengineering programs must be self-funding. Once companies are beyond the initial stages, this seems very plausible. Defining the potential benefits early in the program and arranging for long-range infrastructure investments often prove to be the most difficult.

## ***11. Lack of top and middle management sponsorship, commitment, confidence, involvement.***

Many respondents mentioned the lack of top and middle management commitment and involvement as an issue. This issue takes many forms, but most often shows itself as the following actions by management:

- Thinking that the reengineering is moving too fast;
- Not providing enough direction or leadership, even when asked;
- Not pushing and following-through to implementation;
- Being impatient and maintaining a short-term mentality;
- Not buying in, especially at the middle management level;
- Not staying involved throughout the project.

**12. Constraints created by "unchangeable" product specifications, or government or company policies.**

For many government and defense contractors, reengineering is being made even more difficult by having to live within the old rules while inventing a whole new business. For instance, it is very difficult for a weapons manufacturer to bring in any outside help to support its reengineering program due to strict security requirements which are still in place, even though weapons production has been halted. In other companies, there are often a few sacred cows which must be accommodated in the reengineering process.

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## ***About High Performance Concepts, Inc.***

High Performance Concepts, Inc. provides innovative management consulting, training, and research services to companies around the world. Operating in the field of industrial and business management, we specialize in the improvement of customer service, engineering, production, distribution, and related support functions. Our mission is to help our clients to make lasting, breakthrough improvements in effectiveness and profit.

We assist our clients in developing strategies and implementing solutions. Our services include:

- Business Reengineering and Process Improvement
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- Facilities Improvement (Administrative, Production, Distribution)
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Our **MAXiT<sup>®</sup>** methodology for Business Process Reengineering is a powerful tool for leaders and teams in BPR efforts. Our services in reengineering include:

- Management Education (Getting Started in BPR, BPR Problems and Issues, Steering Committee Roles)
- Project Team Education on Reengineering (1, 2, 3, and 4-day courses at your site)
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- Development of Reengineering Project and Program Plans
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High Performance Concepts, Inc. is a different kind of consulting firm. Our associates, with an average of over 20 years consulting experience, work to “help clients help themselves.” We are known for our flexible ways of working, internationally recognized methods and integrated service methodologies. Overall, we provide excellent value for your improvement investment.

We maintain offices in Atlanta, Georgia and Kansas City, Missouri. We have consulting affiliates in the principle industrialized areas of the world, such as Australia, Brazil and Switzerland.

Please keep our services and workshops in mind as you embrace reengineering as a way to make major improvements in your business performance.

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