Boston Consulting Group BPR Approach

Kai A. Simon

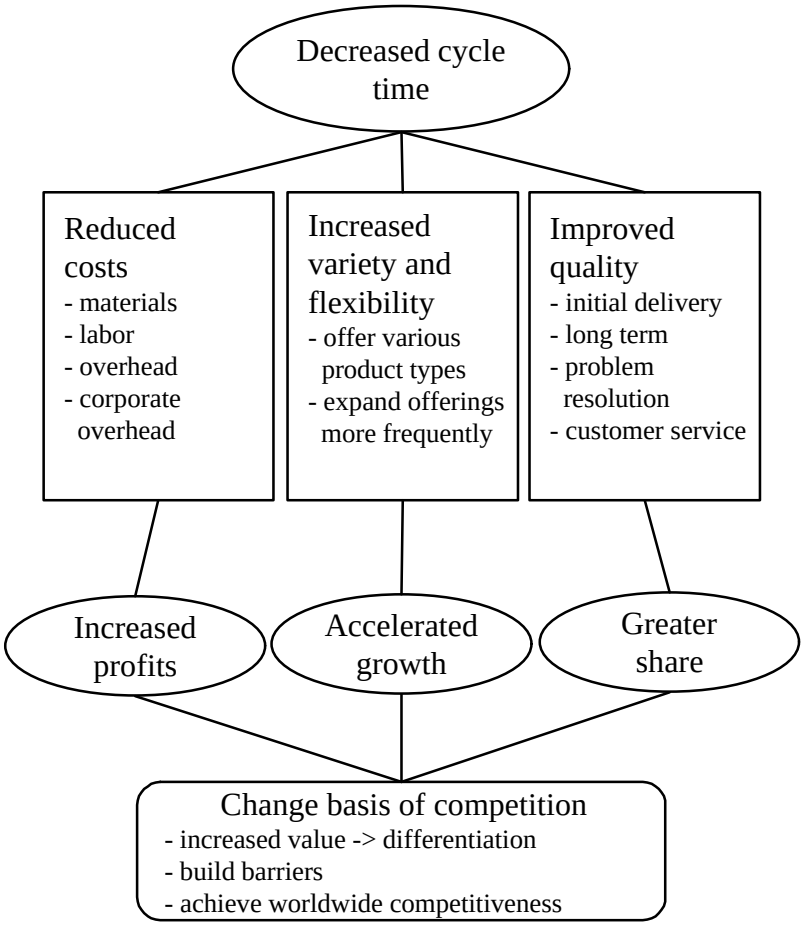
Viktora Institute

1General aspects

The BCG has a background in strategy consulting and considers itself as a major contributor to the strategy field. Several of the concepts being developed by BCG have, in fact, found their way into the general method portfolio of strategy development and strategic change. The most prominent one is the Boston Matrix (Boston Square), a qualitative technique for product life-cycle and product portfolio analysis.

The BCG employs a set of twelve guiding principles for reengineering. Even though they can not be considered as a formal method, they provide a basis for the analysis and design work being part of a process improvement initiative. The BCG approach has a clear focus on process cycle-time and has been promoted under the name of *Time Based Competition.* The publication of a book under the name of *Competing against Time: How time-based competition is reshaping global markets*, authored by BCG consultants George Stalk and Thomas Hout (1990), has been contributing to making BCG a player in the arena.

According to the principles of the BCG approach, time is the most important aspect of process improvement and constitutes a prerequisite and driver for improvements in other performance dimensions, such as cost and quality. The relation between the different dimensions can be described like following.



Picture 1: Time as primary improvement factor

2The role of IT

The Boston Consulting Group does not offer IT products or services. Despite this fact, information technology is considered an important tool for reengineering efforts, if it is linked to business and organization strategy. Additionally, the positive impact of IT is linked to the requirement of customer value creation. In this area, BCG does not offer systems development assistance, but strategic guidance. IT development is done in-house by clients, or outsourced to specialized firms. However, as a result of the increasing importance of IT, e.g. e-commerce, BCG has rethought its own strategy and is now offering some IT services in the area of Web-site prototyping.

Information technology is considered as being value-adding, if it increases speed and accuracy to reduce cost, which often is achieved when whole functions or activities can be reduced or eliminated with the help of IT, or when core competencies are developed, i.e. that new strategic business opportunities are deployed, that have not

been exploited by the company or any competitor. A third area for IT use is the support of information-rich processes, where IT can provide help in managing large amounts of information efficiently.

Using information technology for achieving competitive advantage includes a genuine understanding of how it can be deployed, and when this should be done, where the ”how” question is answered by line managers together with IT experts, and the ”when” question by top management, which has to plan and guide the implementation according to the firm’s strategic objectives.

3The twelve principles of reengineering

BCG is using a set of 12 principles that are used as guiding principles, rather than imperatives for the change process. Taking its starting point in the role of senior management and strategy, these guidelines basically describe the critical success factors for a reengineering project. The following list summarizes the BCG principles and provides a short interpretation of their meaning.

- **Senior management must lead reengineering.** This means firstly, that senior management's role is to *lead* the change, but not to manage it. It is important to distinguish between these roles, where leading means facilitating, promoting and sponsoring, whereas managing means control and direct intervention. Secondly, senior management is responsible for "shaking the barrier", i.e. removing road-blocks set up within the organization by people opposing the change process.
- **Strategy must drive reengineering.** The foremost strategic objective is to create competitive advantage. However, competitive advantage is not solely depending from company internal structures and processes, but is basically created through delivering service to customers. Consequently, the underlying strategy supporting the reengineering effort must take into consideration external effects. In addition, strategy must be balanced again operational improvement, i.e. changing the strategic direction must even result in sustainable bottom-line improvements.

- **Add value for customer.** BCG has the thumb rule, that for every dollar in margin improvements through cost reduction, at least two dollars can be added as increased customer value. This aspect clearly points out the difference between reengineering and cost-cutting approaches, which have been running under the label. Cost-cutting, or downsizing, is a means for improved efficiency, but does not necessarily elevate effectiveness.

- **Focus on process, not function.** The change team should contain people from all parts of the organization being concerned. However, it must be clear that the participation in the change team does not mean to represent a certain function and to serve as a sentry for its interests. Instead, all members of the team need to focus on the targeted processes. Also, people participating in a change team should be chosen upon their openness to radical change and ability to think "out-of-the-box".

- **Play to win.** Reengineering is not a ”do it in your spare time” job. It is necessary to assign the best available people to the project. Additionally, there must be clear incentives for participation in the effort, i.e. that career opportunities must exist for those who are dedicating themselves to the project.

- **Take a system view.** Processes need to be considered from an end-to-end perspective, i.e. that they are looked upon from customer need to the satisfaction of the need. The customer thus plays a double role in being the determining factor for the design of the process, as well as its customer. This view is substantially different from the means-end analysis often used in traditional change projects, where customers are considered as the receiver of the outcome of a push-process.

- **Preplan and learn as you go.** It is necessary to stake out the over-all direction of the project, but it could be fatal to create a route description, since it must be possible to make adjustments during the change process. This also means that a process view is taken at the change effort.

- **No ”one size fits all”.** There is no one best way to handle any occurring situation. This means that different approaches are required and that action being taken throughout the process is situated, rather than pre-determined. It also requires that

metrics for performance measurement must be chosen accordingly, i.e. that simple quantity measures often are inadequate as for example when looking at knowledge intensive work, such as R&D.

- **Metrics matter.** Customer often perceive a firm in a way that differs significantly from the way the firm looks at itself. Therefore, a company should use the same measure as their customers in order to create a common ground for measuring and evaluating performance.
- **Care for the human dimension.** Reengineering success stands and falls with the people in the organization. It is therefore imperative to understand and anticipate individuals' expectations, emotions, and behavior. This includes to manage fear and resistance to change. This aspect is also the one being most frequently neglected.
- **Reengineering is not a one-time thing.** Reengineering can not be seen as a one-time phenomenon, but must open the way for a cultural change that enables and encourages a climate of on-going change. In other words, the reengineering effort must prepare the fertile ground for organizational structures and processes that allow the company to continuously adapt to changing environmental conditions.
- **Communicate, communicate, communicate.** Communication is a crucial factor, and must include a communication plan that extends to all stakeholders – employees, owners, unions, press, communities, etc.

4Reengineering approach

BCG uses a three stage process – preparation, transformation, consolidation – where each of the stages contains several steps. The actual redesign of business processes is considered as part of the transition management. Top management has a dual role in each of the steps, firstly setting directions and creating value, secondly to motivating individuals and creating commitment to change.

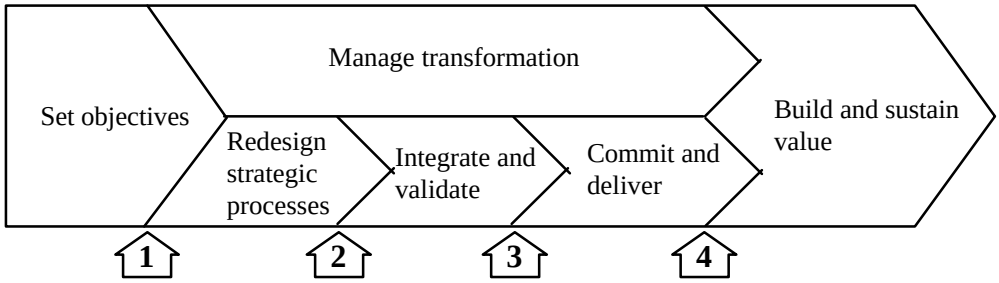


Figure 2: BCG reengineering approach

When taking the step between different phases, the project is checked against a set of conditions of satisfaction. These check-points, or toll-gates, exist to ensure that all necessary actions have been taken in the previous phases. The different aspects to be considered can be expressed in the form of questions or statements.[1]

Check-point 1

- **Rationale for change**. Is the rationale for the change initiative identified and communicated throughout the organization? The *Why?* and subsequently *How?* must be declared and communicated in a way that makes it understandable to all organizational members.
- **Senior management understanding and commitment.** Has senior management accepted its sponsor role and is prepared to support the effort by all necessary means? A large-scale process improvement has to be sponsored and facilitated by senior management, not only through words, but through action. This includes to back up the project organization and to actively promote the effort.
- **Selection of processes.** Have the process to be scrutinized been identified and have the right selection mechanisms been used? The selection of process should be based on the processes' value adding potential, i.e. that a limited number of high-potential process is selected first.

[1] In the list of check-points, bold text describes the check-point name given by BCG. The questions and additional text are comments by the author.

- **How much/long/fast?** What is the scope of the project in terms of intention level and time frame? *and* Have the necessary resources been allocated in terms of financial and intellectual resources? A common mistake is to allocate too limited resources to the change project in terms of people and time. Also, the project objectives must be clearly set, but must not be unachievable.

- **Organizational readiness.** Is the organization, i.e. the individuals working there, prepared for the effort and has it been communicated appropriately? When individuals are taken by surprise, they often react irrationally and defensive, i.e. that barriers are built, stakes are claimed and the considered threat then creates massive resistance.

- **Assign the best people.** Who are the people being assigned to the project? Is it ensured that they are knowledgeable, committed to the project and not acting watchdog for other parts of the organization? In many organizations, managers do not give away their best people, but those they consider as troublemakers or underperformers. In others, people are sent to change teams as representatives of the unit they come from and are expected to guard their unit's or department's interest, instead of committing themselves to the project.

Check-point 2

- **Assess existing processes.** What are the deficiencies of the current processes, i.e. where are the performance gaps in terms of time, quality, cost and service? This point assumes that there are identifiable process existent in the organization, that satisfy the characteristics outlined in chapter **Fel! Hittar inte referenskälla.**. Otherwise, this step also includes the identification of work activities that conceptually can be grouped into processes.

- **Customer input and competitive assessment.** How are customers perceiving the organization's ability to perform in terms of time, quality and service? *and* How is the organization positioned in relation to its competitors with regard to the critical performance measures that have been identified? This point includes the external

assessment of the company's performance by its customers, but also the process of benchmarking it against its competitor's performance measures.

- **Magnitude of opportunities**. Which is the intended level of improvement that shall be achieved through the reengineering initiative and is it relevant and achievable? The objectives to be defined must satisfy the requirement of being ambitious with respect to the improvement's order of magnitude, without being unreachable. Stretch targets should only be used if the necessary elevation of the change process can be ensured.

- **New process vision.** How should the new process work, i.e. how should the business logic look like, what are the necessary resources and how can the process be designed with respect to low cycle-time and cost, without compromising the required quality level? The process vision must include a sketch of the contained activities, required resources and competencies. If applicable, it should also include a description of the technological components required. Developing the process vision is an iterative process, where design prototypes are evaluated and refined.

- **Determination of major changes required.** What are the gaps between the new process vision and the current process and what are the most important parts to be changed in order to establish the envisioned process? Mapping the existing process against the new process vision allows the identification of gaps and the required measures to be taken in order to establish the envisioned process.

- **Roadmap for change.** What actions must be taken in order to bring about the changes that have been identified and in what way should these actions be taken? As mentioned above in the description of BCG's reengineering principles, this roadmap is not a fixed path, but can be adapted over time, i.e. that it serves as guidance, rather than prescription.

Check-point 3

- **New process documentation and validation**. Is the new process valid and feasible and has it been documented? The new process design has to be finally determined and documented. At this stage, the connections with other process need to be

identified and described, the chosen metrics defined and the required resources determined.

- **Key people's concerns addressed.** Have the comments of all people being relevant for implementation and the adequate performance of the new process been gathered and considered? In order to ensure a smooth and friction-free implementation and deployment of the new process, the concerns of major stakeholders need to be taken into account.
- **Support systems consistent with new requirements.** Are the process' environmental conditions sufficiently examined and the results determined? The support systems of a process - performance metrics, measurement mechanisms, evaluation procedures, reward system, responsibility structure - need to be defined together with the process and are included in the description of the targeted future state.
- **Necessary investments funded.** Are the necessary funds for implementation and investments, e.g. in information technology, available? These consideration should also include slack resources for handling possible operational disruptions related to the change process, and must include costs for recruiting, training and education of staff, as well as for possible lay-offs.
- **Major barriers removed.** Are the concerns of people, resulting in possible resistance, taken into consideration and are the necessary organizational conditions available for the implementation and deployment phase? Barriers for change can emerge from insufficient organizational preconditions, lack of competence in change management and the use of information technology. However, the most important barrier can be found in the heads of individuals feeling threatened by the changes to come.
- **Road-map for action.** Have all the necessary preparation steps been taken and can the implementation phase be initiated? Are the necessary steps of the change process identified? Change management is crucial to the successful conduct of any

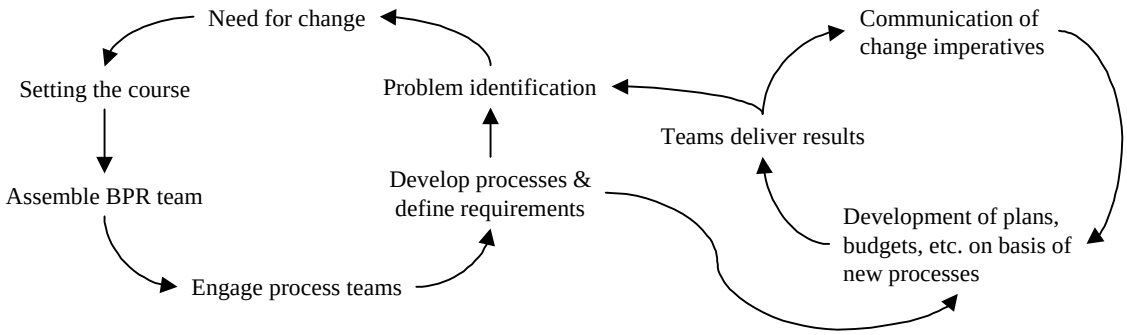
process improvement initiative. At this point the actions to be performed during the implementation and sub-sequent deployment phase are defined and prepared.

Check-point 4

- **Positive customer reaction.** How are the transition process and resulting process and structures perceived by customers? The purpose of process improvements efforts is to deliver increased value to the process' customer and consequently the outcome of the change effort must be checked again these expectations.
- **Evidence of customer-oriented focus.** Has the customer focus been considered and improved? There must be clear evidence that customer orientation has been imperative during the redesign effort and this premise must also hold for the implementation and outcome of the new process.
- **Improved decision making.** Are decisions made by the right people on the right level in the organization? In order to improve a business process' ability to deliver value, decisions must be taken as close to the customer as possible. This is achieved through empowerment of people working in the process, i.e. that decision power must be transferred to those being responsible for the process outcome.
- **Business plan aligned with new capabilities.** Has the business strategy and implementation plan been aligned with the organization's improved capabilities? No process oriented organization can be better than its overall business strategy. Consequently, strategy and capabilities must be constantly evaluated against each other in an iterative process. New capabilities make it possible to change strategy and changing strategies may require the development of new capabilities.
- **Evidence of improved responsiveness to market changes.** Is it evidential, i.e. can it be clearly shown, that new capabilities have been developed that contribute to improved environmental responsiveness? Adaptability to changing environmental conditions is one of the guiding principles in any process improvement effort. At the same time, an extreme focus on operational efficiency might hamper the organization's ability to respond to changes in the market place. Consequently, both factors must be considered and balanced against each other.

5Top-down vs. bottom-up

In most of the BPR-related literature, reengineering is described as a top-down approach. Analysis and design starts with the assuring commitment from senior management, processes are analyzed and designed from an overarching level to more detailed levels. BCG follows this general principle, but also points out the necessity of including a bottom-up approach. Both cycles are run as connected iterations.



Picture 3: Connected change cycles

Cycle 1 - Top-down

- **Senior executive agreement on need for change.** Senior management agreement and commitment is not the only, but one of the most critical factors for success. Without this agreement on the need for change and sponsorship all sub-sequent steps can not gain the required creditability that is necessary for driving a project sucessfully.
- **Setting the course.** Course-setting means to decide upon the general goals and directions for the change effort, but does not include detailed plans and procedures.
- **Assemble reengineering team.** The reengineering team must be compiled on the basis of competence and is responsible and accountable for achieving the defined overall objectives. The reengineering team must include people with competencies in methods and tools, change management and organization, but not necessarily with in-depths knowledge about all operational areas covered by the project.

- **BPR team engages process teams.** Each process is scrutinized by a team assuming responsibility for a specific process. The process teams are staffed with people covering the different competence areas covered by the process.

Cycle 1 - Bottom-up

- **Design teams develop new processes and define requirements.** The process design teams are responsible for designing the general design of the new processes and to define the performance requirements and propose metrics to be used. The results are transferred to cycle 2 for the development of more detailed plans, budgets and metrics, but they also serve as input to the problem identification step of cycle 1.

- **Identification of problems needing attention.** The problem identification step is informed by the overall process development results in cycle 1 and the results from the results delivered by the teams being responsible for the detailed design of the processes' operational characteristics. Identified problems are delivered back to management for evaluation and, if considered necessary, adjustments of the current process design.

Cycle 2 - Top down

- **Communication of change imperatives and direction by management.** Communication is, besides commitment and sponsorship, the most important management contribution to project success. The imperative and direction of the change effort must be communicated throughout the organization in order to gain understanding and reduce potential resistance.

- **Development of plans, budgets, performance metrics etc. on the basis of new processes.** A new process design often makes the existing plans, budgets and performance metrics obsolete, since they often are designed to fit an hierarchical, functional organization. Consequently, they must be adapted to an organization based on processes. This development phase is informed by the general process design step in cycle 1 and the communicated needs and directions staked out by senior management.

Cycle 2 - Bottom-up

- **Teams deliver results.** The results of the development phase are documented and delivered. These results are used as the basis for further communication, but also to inform the problem identification step in cycle 1.