The Third Reengineering Curve[1]

To re-engineer how we manage knowledge workers

Charles Villanyi Bokor

ABSTRACT

Unlike organizations, today's knowledge workers do not need managers. Like organizations, they need to succeed, and to self-actualize. Information and knowledge processing subject matter experts (SME) not only question management's set standards but are also intelligently disobedient and often do what they think they should their way. Hence, business transformations can no longer only deploy new systems and reengineered processes. It must also rethink how management will align, engage and enthuse human resources, constrain them with fewer rules and how SME teams will make decisions to produce outputs that serve the needs of the corporation.

For an organization intending to transform and protect its viability in an ever-changing business environment, business process reengineering is but the first step. The *practicing* organizations understand that business transformation also needs to reengineer the roles of the people involved, how information is acquired and used and how technology facilitates the tasks, processes, and the outputs needed and expected to be produced. The *enlightened* organizations have also discovered that in addition to the above, they have to *select which* processes to reengineer or engineer, and then decide *how much* they need to and/or can change or innovate, organizational capacity to adopt changes. *Leading* organizations are on the cusp of significant and innovative transformation of how they organize, empower, hold people accountable and lead them to enthuse customers. They discovered that process engineering has to look outside the processes ['*boxes*'] being engineered, specifically at how knowledge workers in these processes are lead, engaged, facilitated and constrained. In other words, the new scope of process engineering now has to include the governance process. Specifically, it has to define the roles and responsibilities of workforce's managers, who are asked to build and lead expert teams, and how executives, accountable for the eventual outcome, will impact the organization's capability.

LESSONS LEARNED

- We are on the cusp of significant and innovative change to how we organize, empower, lead and hold people accountable.
- We have elaborated and mastered the methodology to manage people. Now we need to focus and hold management and executives accountable for building expert teams, engaging knowledge workers, and enthusing them.
- The Federated Governance Model (FGM) is focused on people, governance, leadership, and aligning diverse needs to deliver expected outcomes.

[1] Based on White Paper: ***Federated Governance Framework - A Case Study***, Charles Villanyi Bokor

KEY WORDS: Reengineer, business transformation, second curve, enthuse, workforce, management, team building, knowledge workers, governance, innovation, intelligently disobedient.

INTRODUCTION

In too many organizations today, expert staff are restricted by managers from using all their acquired knowledge because many managers do not have their expertise and understanding of the issues nor/or the management skills needed to lead them. Information and knowledge processing subject matter experts (SME) want to serve the needs and deliver as per the expectations of the corporation, support its strategy and help it to succeed. They are also searching to be fulfilled and self-actualized [McGregor, 1960], and to do what they think they are needed to do their way. They are not receptive to being managed. When management not only attempts to dictate what to do, but also how things need to be done, these SMEs and millennials not only question the set corporate and cultural standards but also intelligently disobey.

Business process reengineering (BPR) is the first step to transform tasks and processes and protect organizations' viability in an ever-changing business environment. Organizations that have been reengineering atheists or agnostics and now have newly discovered the benefit of BPR, use any methodology or approach suggested at the introductory sessions or in the books on the subject or by the local reengineering lead. They use the process poorly, and as a reaction to an adverse event. Organizations that regularly practice BPR, have learned and understand that when reengineering and engineering processes, they must consider how people are involved in them, how information is acquired and used and how technology facilitates the tasks and processes that produce needed and expected outputs. The *enlightened* organizations in addition to the above, proactively *select which* processes to reengineer or engineer. Then they decide *how much* these chosen processes need to change or how much to innovate, in view of the organization's capability to change. Finally, the organizations that *lead* in the marketplace, are on the cusp of significant and innovative transformations of how they organize, empower, lead and hold people, who serve external customers, accountable. They discovered that process engineering also has to look at how human resources are managed, and specifically at how knowledge workers in these processes are lead, engaged, facilitated and make decisions. In other words, the new scope of business innovation now includes the roles and responsibilities of managers, who are asked to build and lead expert teams, as well as the roles and responsibilities of executives, who are held accountable for the outcome and the organization's capability.

REENGINEERING MATURITY PHASES

Discovery phase

It may be surprising to find that some organizations are still in the *discovery phase* (Initial Phase Level 1 in CMMI) regarding the need for and benefit of constantly reevaluating and reengineering their business processes. They only more-or-less acknowledge that in a changing world reengineering is a necessary management activity. "It is not necessary to change. Survival is not mandatory." said W. Edward Deming and some organizations take the first sentence as admonishment. They only reengineer as a reaction to a problem, which is infrequently and when they do reengineer, they do it relatively poorly focusing on saving costs by improving efficiency. Organizations in the *discovery phase* engineer business processes even less.

As an example of an organization in the *discovery phase*, is a grocery chain that thought of itself as focused on satisfying the customer. In one event, an elderly couple who regularly ordered groceries by telephone from one of its nearby stores, was trying to return a bag of onions that they bought a week prior, and that has gone bad. While the process to order the onions was effortless, returning them took a lengthy discussion with first a clerk and then the manager of the store, who, although assured by his employees that the couple were regular customers, questioning them and explained the cost of the return to the store. In the end, the manager refused to refund the money or exchange the bag of onions, i.e. change the process. It was the last time these customers ever shopped at this store, seeing that neighboring stores readily took back unsatisfactory items. The manager obviously believed that: "It is not necessary to change." and upheld the established process, focusing only on his business' costs, even though, due to changes in the business environment, it was harming the store.

Practicing organizations

Some organizations believe that '*change is the only constant'* in a volatile business environment and regularly reengineer. They remember the once giant Nortel whose stock rose to $144 before it disappeared as well as Cisco, once the biggest corporation in the world, whose stock plummet from around $80 to $14. So, these organizations regularly reengineer their processes and update their procedures (CMMI Level 3), mostly to improve efficiency and save costs, the easier of the options and the easiest to measure.

What these *practicing* organizations have learned is that business transformation also needs to reengineer the roles of the people involved, how information is collected, made available and used and how enabling technology facilitates the tasks, processes and the production of outputs needed and expected to be produced.

Enlightened organizations

When practicing organizations *mature* in reengineering, they expand their efforts and start using a selected methodology to transform their business (Quantitatively Managed, CMMI Level 4). They move to their first evolutionary reengineering curve [Morrison, 1996], i.e. their second

reengineering curve. They then tout their discovery that in order to improve organizational performance and outcomes (refocused from outputs) reengineered processes need to consider more than how SMEs are involved and organized, where managers and executives need to make decisions, how information is used, and the role of technology to facilitate or enable the expected outcomes. These *enlightened* reengineering organizations regularly and proactively reengineer their processes. In doing so, they have also discovered that before they start to engineer the organization's service operation, they first have to *select which* of the many processes to engineer, and having done that, they have to decide *how much* these chosen processes need to and/or can change, given the organization's capability to forget the old and adopt the change.

These enlightened organizations on the second reengineering curve, have discovered that they first, maybe only have to reengineer two types of processes. Firstly, those that add value to external customers who are willing to pay for better service and secondly those operating processes that are very expensive to carry out. While processes that add value to customers, improve customer loyalty that "… is priceless" [Gitomer, 1998], very expensive operational processes are worthy of consideration as even small improvements result in a great positive impact on the organization's cost-benefit balance. Thus, these organizations *select* the processes to engineer and conduct a capacity analysis to establish the organization's culture or limiting capacity to absorb changes in a short time. In other words, they decide beforehand how radical the reengineering needs to be or can be.

The third reengineering curve

As expected and predicted by Ian Morrison [Morrison, 1996], after a certain time, even the more enlightened organizations have to move on to a new curve. In their case it is the third reengineering curve. On this new curve, organizations still proactively select which processes to reengineer or engineer and how much to transform these processes, however, the change will now also consider and be constrained by the organization's environment and its culture. Thus, the new scope of the reengineering or engineering effort (Optimized, CMMI Level 5) goes beyond looking at what SMEs do. It now includes how they are involved and organized, the governance and decision making processes or the needed changes to the roles and responsibilities of managers and executives, who greatly impact the organization's output and outcome respectively. This new scope essentially ushers in a new management paradigm in which managers are held responsible and directed to achieve success through others over whom they have little control. This then highlights the need to define Centers of Excellence (CoE) for SMEs in which they perform their tasks and produce their outputs their way. This new role of managers is to build, coach, enthuse and facilitate the expert teams of knowledge workers, identify opinion leaders, build inter-CoE cooperation and get out of the way. This is imperative based on studies such as was done by the Gallup survey [Gallup, 2007] in 2005, that found that 14% of the U.S. workforce is "actively disengaged" costing $300 billion in lost productivity per year.

THE PRESENTATION

MANAGERS

Life was simpler for managers of the stone masons who built the great pyramids who used the 'do don't think' approach and for managers of the assembly floor workers who Frederick Winslow Taylor claimed [Stewart, 2010] to have studied a hundred years ago. Organizations in the past demanded little skill and even less thinking from the managers of the workers who performed precisely defined, standardized, repetitive, scheduled, manual tasks. These managers were only expected to have an intuitive understanding of management that was not deeper than the depth of a puddle in a parking lot and even less about the expected outcome. Management was not about paying attention to the needs of or caring for workers. Therefore, little human resource management expertise was needed or available. On the other hand, workers in these examples were physically or financially, due to their need for an income, forced to be at work. They were like spokes on a wheel, in that they all could be and were treated the same way. In pre-*Hawthorne effect* [Franke, Kaul, 1978] thinking, individual workers' performance and outputs depended on management's command and control [McGregor, 1960], not their caring about the needs of the workers.

But things have changed. In order to accomplish their goals, managers today still must plan, organize, and budget **but above all they must** acquire, integrate, enthuse and allocate a mix of GenX, GenY, off site, part time and contracted resources. Many of these resources chose to but do not have to work at the organization where they are working, have different needs and expectations for recognition and support, and each works at a different pace. Hence many managers who are under trained in management science, do not lead these workers but manage them. Unfortunately, managing the new workforce needs to take a 'back seat' to leading knowledge workers, i.e. selecting, mentoring, enthusing and facilitating. Today's role of the manager is antiquated. Power that came from hierarchical positions in the organization and from hoarding information, today comes from the skill to build teams, establish trust and be the source of information. Without executives' organizational support and management training, stressed managers [Lane4 study in UK, 2012] knowingly or unknowingly harm their organizations in part by causing 48% of GenY professionals at Fortune 500 companies to leave their current jobs in two years (Harvard Business Review). The need for people to lead, build teams, engage staff and establish cooperation have evolved into crucial skills. Dealing with GenYs, rising number of contractors and consultants, the appearance of women in the workforce, are all challenges to traditional command and control managers. Unfortunately, only 28% of organizations feel their manager development programs have similarly evolved (Harvard Business Publishing, 2012). Therefore, many managers play a limiting role in the capability of their corporation, due to their antiquated management paradigm which needs to be reengineered.

STAFF

'Our resources are our greatest assets' seems to be a reality even in organizations where this is simply a slogan. Where the antiquated management paradigm is still prevalent, it is ineffective in organizing and aligning the work of information and knowledge processing collaborators who form an ever-increasing portion of the workforce (in the workplaces in North America and not in the third world countries or China).

Today's SME have academic credential(s), experience, skills, professional drive, sense of social responsibility and ability to be brilliant in the context of a governance structure that not only considers the interests of the organization but also those of its employees. They not only question the prevailing body of knowledge but also the standard operating processes and procedures (detailed steps to perform the activity) defined for them. If they are engaged, they do what they think they should do their way and are intelligently disobedient when commanded to behave differently. If they are not engaged, they execute to the letter of the standard, even where this is evidently unproductive or leave to go to another firm. Unlike the organization, today's workforce has no need for old style managers, and will strive and succeed without them or in spite of them if unfortunately, management attempts to command and control them. So, eliminating (middle) management is as important when engineering new processes as is engineering the replacement governance of the workforce.

On the third reengineering curve, improving the effectiveness of operational processes includes improving the leadership, or dealing with the lack of it. It is instituting leaders who understand the imperative to: lead much more than manage; pool their expert resources' capabilities; build teams and centers of excellence; identify input authorities (people whose opinions have to be taken into account when making a decision); give knowledge workers decision rights; empower them to make decisions that they are best prepared to make even when it may lead to mistakes; hold these proud professionals accountable for their output; and assume accountability for problems and the outcome. We have to refute the pretence that decision making can only be by those who are on the top of the organizational chart [Ashby, 1956]. Knowledge workers today collaborate under a new paradigm. They expect to be able to work outside the office, search the internet while in the office, access the clouds, use wireless (BYOD) devices, work in teams and make decisions.

BOARD LEADS

The next frontier to improved productivity and value creation is leadership. It will be leaders replacing managers who will deploy similarly specialized brilliant people into expert teams that we shall call 'boards' [Villanyi Bokor, 2014], and lead them. Examples of such boards include the Board of Surgeons of a hospital, which establishes operating standards for surgeons that usually surpass the accepted general norm in surgery; and the termite colonies in Africa, that build complex tunnels and heat exhaust chimneys without formal committees, timesheets, yearly reviews or plans. While leaders replacing managers will translate and communicate the

organization's strategy into the board's mandate, the board's Chair, elected by the board's members, directs the board, provides board to other board cooperation for a win-win-win (organization - board - board) and monitors the team's alignment, i.e. "…shar[ing] a common understanding of a vision and set of strategies, accept the validity of that direction, and … work toward making it a reality." [Kotter, 1990] and the board's progress to establish consensus that most often leads to poor decisions. Like a gardener who chooses the best seeds, provides the best growing conditions for the seeds to unleash their potential, and lets the seeds grow, leaders need to choose the *board* or *expert team* members, empower them to make the right decisions that are within their areas of expertise, prepare the environment in which they will flourish, engage and enthuses them, and mentor them to succeed at what they know best, were employed for and are mandated to do. As Theodore Roosevelt said: "The best executive ... picks good men to do what he wants done, and … keeps from meddling with them while they do it.". In return, boards will outperform the committees and groups we have today and produce extraordinary results. If they do not, it is not because of its members but because the organization makes producing extraordinary results impossible. To arrive to this next level of organizational maturity (CMMI Level 5), management must be reengineered to become comprised of non-meddling leaders.

CONCLUSION

Some organizations have reached the cusp [the point of transition] between antiquated management and leading people to add value, innovate, and succeed. Managers need to move away from the remnants of an assembly line framework and organize people to achieve beyond their potential.

The third reengineering curve is much more difficult and aligns corporate needs, boards' outputs and knowledge workers' needs under a leader who will use soft skills we make inadequate use of today. To proceed to this third phase of process improvement, organizations will first have to select business process transformation specialists who not only have the capability, vision, skill and drive to eliminate managers and reengineer job descriptions but also understand how much the organization is capable of forgetting and learning and have the integrity to say so.

Most organizations are not at the maturity stage where management will readily let this happen. However, that does not excuse executives and reengineering practitioners to allow their fear to rule forever.

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