

Reengineering the Corporation: A Manifesto for Business Revolution

By Michael Hammer and James Champy; Nicholas Brealey Pub. Ltd., London HarperCollins Pub., Inc., USA; ©1993, 1994; US\$13.00

Feeling the effects of the long economic downturn, many Japanese companies have been hit by declining income and profits. For this reason many companies are grasping at straws in efforts to devise strategies to rationalize operations. In this kind of atmosphere it is natural that *Reengineering the Corporation*, which served as a sort of bible for the recent resuscitation of U.S. industry, has become a hot topic among Japanese business people. This volume can also be described as a study on how to improve customer services.

What the two authors refer to as "reengineering" is a business process which they define as, "... the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed." In this definition Hammer and Champy stress four key words—fundamental, radical, dramatic and process. They also disavow work methods based upon Adam Smith's principles of the division of labor, pointing out the importance of practical applications of new information technology concepts.

Let me provide one example. IBM Credit posed the question, "How do we improve the credit issuance process?" In order to cut the waiting time until permission was granted for financing, five processes were paired down to one, resulting in a time reduction from seven days to four hours. This was done without an increase in staff and the number

of items handled simultaneously multiplied by 100. In this case the previous method involved specialists for each process, but if an advanced computer system was used these tasks could actually be handled by one general office employee.

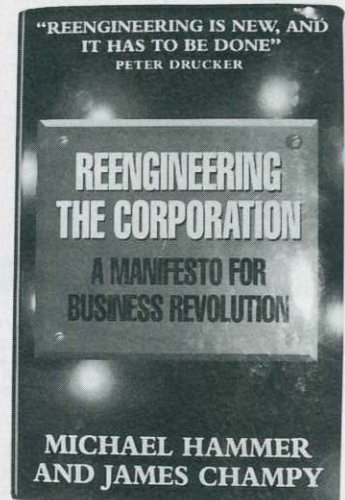
Hammer and Champy view this as a negation of the division of labor theory. Work methods involving horizontal divisions of work and business process reengineering have already been carried out in Japan, most typically with Toyota Motors' *kanban* system. Further, seeing Mazda achieve similar results led to Ford's reengineering. There are some groups who claim that by providing these sorts of examples the reengineering the authors stress is nothing novel to Japan, but this is neither a productive argument nor a constructive method.

It may indeed be that efforts similar to reengineering have been undertaken in Japan, but I would like to point out, first, that this book makes an important contribution by clearly setting forth reengineering concepts.

Second, because this volume presents numerous case studies, it provides a clear understanding of how reengineering concepts have been actualized at several companies.

Third, the book explains repetitively that leadership from top management is required to promote reengineering, and I would strongly urge that Japan's top business people follow these examples and demonstrate leadership. It somehow seems that Japan's corporate leaders have recently suffered a loss of confidence.

Although not specifically covered in this work, I would like to additionally comment upon the following issues it made me consider, such as the future of the white collar worker. Currently various methods are being used to promote employment adjustments in mid-level management ranks. But there are fears that these reengineering solutions will



include personnel who do not initiate innovative changes, and having illusions concerning lifetime employment, will wind up being weeded out. This book also definitively states that it is not the company, but the people who work there who must implement reengineering.

Another thought is the difference between American and Japanese software. Keio University Professor Ishii Takemochi asserts that the U.S. has an overwhelming 15:1 superiority over Japan in software. The importance of practical applications of new information technology concepts in reengineering is discussed in the book and Japan needs to shift its emphasis from hardware to software-based ideas.

As I mentioned above, this book targets drastic corporate reengineering. However, I also believe this is a "must book" for politicians and bureaucrats and strongly recommend that the national and local governments also engage in some "reengineering."

Uehara Yosuke, Professor
Tokoha Gakuen
Hamamatsu University