BUSINESS PROCESS REENGINEERING:
A STUDY IN THEORY AND PRACTICE

by

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Submitted to the Department of Architecture in Partial Fulfillment of the
Requirements for the Degree of MASTER OF SCIENCE in
Real Estate Development at the
Massachusetts Institute of Technology

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ABSTRACT:

Market forces such as the national recession, changing customer needs, and increasing
competition, have forced many companies throughout the United States to redesign their
corporate strategies. A restructuring of business strategy often necessitates fundamental
structural change within the organization.

One type of fundamental change process is called Business Process Reengineering (BPR).
This thesis will focus on BPR by providing a literature review that will identify its
different aspects and characteristics. The literature review provides various definitions of
BPR, shows its evolution, and provides guidelines to its application by identifying
common implementational steps. A matrix is presented at the end of the literature review
which summarizes the salient aspects of BPR.

Due to the recent upheavals in the national real estate market, there are many real estate
related companies that have considered fundamental strategic change. The thesis
includes a case study on a company that has undergone a reengineering process. The case
provides an example of the practical application of BPR.

After the case, a comparative analysis is made between the matrix derived from the
literature review and the case study. The thesis concludes with general items that are
applicable to BPR:

- Empowerment and Information Technology may be products of BPR.
- Detailed vision is critical to the reengineering process.
- BPR is a long term process which involves substantial commitment.

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Finally, we would like to thank our families who gave us support and listened to us talk far too much about the thesis. For John, I would like to thank my wife, Mary, and my family for patiently waiting for me to finish. For Brint, thanks go to Ann, Mom, Dad, and Cynthia for all their support. I could not have done it without you all.

As a parting comment, when Gloria says “it is going to take a lot of work”, choose another topic.
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INTRODUCTION

Throughout the 1980’s, the national commercial real estate market experienced an unparalleled frenzy of new development. This activity resulted from a combination of unique historical factors. Banks, Savings and Loans and other lending institutions established relatively lax lending practices. In addition, the US government provided extremely favorable tax breaks for investments in real estate. By the early 1990’s, the combination of these factors resulted in a national real estate market while facing the largest imbalance between supply and demand in its history.

These environmental factors created a mandate for change in real estate related companies. Many successful real estate companies who could do no wrong in the 1980’s were forced to adapt to a fundamentally different real estate climate in the early 1990’s. Some of the companies ceased to exist, while others implemented a continuous stream of “quick fix” programs in a desperate effort to get ahead of their problems. A few select real estate companies that had a long term perspective, saw a need to fundamentally change their business strategy and operations in order to survive.

In addition to real estate companies, many other types of companies have needed to make fundamental business changes. The national recession, increased competition and higher consumer expectations combined to create overwhelming environmental forces requiring organizational change. To operate in a new environment, organizations had to change their strategy. As a result of the change in strategy, the organizational structure was changed to properly support the new strategy. One approach to accomplish such sweeping change is the process commonly know as “reengineering”. The following diagram illustrates the typical steps leading to a reengineering change process.

Environmental Change → Strategic Change → Reengineering Process

“Reengineering” has become a trendy topic and a buzzword in many business journals. In various publications there have been articles expousing reengineering as a panacea to modern day business problems. Due to this popularity, reengineering has often been a mislabeled and over-franchised term which has lead to many nebulous ideas as to its exact significance.

At its worst, reengineering may just be hype or the latest fad in a long line of management improvement programs. At its best, reengineering may be change that can have a positive and long-lasting affect on an organization’s operation and performance. The thesis explores the elements of reengineering and examines their empirical applications. Using a detailed literature review and a case study, this thesis closely looks at the elements of reengineering in theory and in practice to better understand the process.

Since the real estate market crash created the impetus for some real estate companies to make fundamental organizational changes, understanding the process of reengineering...
and how it applies to the “real world” is critical for today’s companies. The focus of the thesis is to aid in the understanding of the reengineering process. To learn more about the practical qualities and applications of the reengineering process, this thesis includes a case study on a company which has recently undergone fundamental organizational change. Since the plummeting real estate market has created a sense of urgency for change in many real estate companies, a case study in the real estate industry is a natural fit for the study of reengineering.

The Massachusetts-based Copley Real Estate Advisors (“Copley”) is the subject of the case study. Copley’s change process was initiated in late 1993; the study provides current insight to reengineering and the issues involving its implementation.

**Thesis Structure**

*Chapter One* provides background on the national real estate industry and establishes the environmental context for the case study. It describes why there is a mandate for fundamental organizational change in the real estate industry by presenting the various factors leading to the rise and fall of the national real estate market during the 1980’s and early 1990’s.

*Chapter Two* discusses the elements of reengineering theory: including its definition and implementation guidelines. The literature review defines key reengineering terms and principles, examines successful strategies for implementation and presents the potential outcomes of reengineering. This chapter also discusses the role of two important aspects of the reengineering process, empowerment and information technology, and the role they play in the reengineering process. The chapter will conclude with a matrix featuring the key elements of reengineering as outlined by the literature review.

*Chapter Three* is the case study on Copley Real Estate Advisors detailing an example of the reengineering change process.

*Chapter Four* provides an analysis of the Copley case study discussing the similarities and differences between the Copley change process and the components of reengineering covered in Chapter Two. As a tool for analysis, the case will be applied to the matrix found at the end of Chapter Two.

*Chapter Five* ends the thesis by presenting general conclusions drawn from the literature review, case study and analysis.
CHAPTER ONE

Setting the Stage: The Real Estate Market in the 1980’s and Early 1990’s

In a Nutshell

Throughout most of the 1980’s, tremendous growth in the US economy created strong demand for both commercial and residential property. New development far exceeded the level of demand, which lead to increased vacancy rates and lower rents. In the 1980’s, however, values for commercial property were steadily rising despite these negative factors. With increasing asset values, developers continued to build until the market finally collapsed. During this development boom, property values were steadily increasing despite a serious oversupply of product. The explanation of how this happened, helps to understand the recent real estate crisis.

Although each local real estate market had its own particularities, there were two factors which created a widespread oversupply of commercial product:

1. Changes in tax law;
2. Excessive liquidity.

Changes in Tax Law

The first factor, created during Reagan administration, was the generous tax write-offs for real estate investment. In 1981, tax legislation changed allowing investors to accelerate depreciation of real estate assets. Because of these accelerated write offs, investor’s demand to hold real estate skyrocketed. At the same time, returns required by the investors were significantly lowered by taking into consideration the after tax benefits. This often created situations in which buildings with negative or near negative net operating income were being constructed or purchased simply for the tax benefits. Investors were buying real estate on the merits of “tax flow” and not “cash flow”.

As a result of rising values from increased investor demand, construction spending took off for every product type from office to residential. In the office sector alone, construction spending reached an annual level of $34 billion by 1985. This represented a 100% increase from a comparable level in 1979, before the impact of the changes in tax law. (Kelso and Mara, 1992, p. 6).

With a seemingly endless rise in real estate values, both foreign and domestic investors flooded the market searching for real estate investments. To fill the demand, real estate syndicators rapidly created investment partnerships offering tremendous after tax returns. Some of these syndications boasted phenomenal annual returns as high as 150%. In spite of the tremendous amount of product constructed, insatiable investor demand continue to propel real estate values higher and higher.
Excessive Liquidity
The other contributing factor was the favorable borrowing climate for real estate product. With increasing asset values, institutional lenders rushed into the real estate arena. The relatively lax lending standards during the 1980’s, coupled with falling interest rates, enabled developers to obtain easy construction/permanent financing. The major reasons for the lax lending criteria were:

1. Ineffective Checks and Balances. Although most lending institutions established an appropriate systems of checks and balances for corporate lending, these systems were poorly maintained or watered down for real estate lending. Often the institution’s senior management deferred critical lending decisions solely to the judgment of the loan officers. As one commercial real estate banker observed, “Senior management was willing to believe that we had things under control ... and we were certainly willing to tell them everything was O.K.!” (Kelso and Mara, 1992, p.6)

2. Improper Accounting for True Economics and Risks. During the 1980’s, the accounting treatment and management reporting for many real estate lending divisions often overstated profitability and understated risks. Origination fees for real estate loans were often treated as income in the year received rather than conservatively amortized over the life of the loan. This practice gave lenders incentive to increase the volume of commercial loans. However, this practice created a misleading and often incorrect impression of an institution’s potential for long-term profitability.

3. Growth and Current Profitability Rewards. Within lending institutions, real estate department heads were often generously rewarded for the level of profitability within their division. Rewards included bonuses for exceeding budgeted targets in asset growth and profit contribution. Such a system of incentives encouraged decision makers to increase loan portfolios and current profitability to the exclusion of weighing other factors such as risk. Also, competition between institutions for experienced real estate lenders resulted in the institutions giving them more autonomy in lending decisions.

4. Risk Acceptance Criteria Loosened. Many institutions either loosened or consistently overrode their risk acceptance criteria. Loans often amounted to 100%-110% of the property’s projected completion value, rather than as a percentage of the project construction costs. To increase lending, many lenders offered 3-5 five year loans, commonly referred to as “mini-perms”, without the requirement of a future commitment from a permanent lender.

5. Early Warning Indicators Missed. Even though vacancies increased and rents declined, lenders ignored these signs of an over built market and continued to lend on the basis of projected value.

The Turning of the Screw
The picture changed by the second half of the 1980’s. Interest rates were no longer declining and, more significantly, many of the favorable tax benefits associated with real
estate investment disappeared with the passage of the 1986 Tax Reform Act. This legislation shifted the focus in real estate investment back to a cash flow perspective from the previous tax benefit perspective. With the elimination of special incentives for real estate, the artificial pricing mechanism supporting property values collapsed and was replaced with traditional measurements of value such as net operating income and pre-tax return.

With a glut of commercial real estate inventory and waning demand resulting from the US economic recession, there was a chasm between supply and demand in the late 1980's. Tax reform fell on an already over built market, removing the incentive to borrow and build whether or not anyone ever occupied the space. As one office developer observed:

"I used to think I knew a lot about the real-estate business. I think we were all naive. We all overestimated the strength of the economy to support all of this real estate. I just didn’t realize how much of it was tax-incentive driven. I knew the 1986 tax act would slow down the industry, I didn’t realize it would obliterate it.”

(Mahar, 1991, p. 24)

With the combined effects of the elimination of the tax incentives for real estate, the national recession and declining vacancies, many real estate owners were unable to service the debt on their projects and were forced to turn them back to the lenders. To avoid the negative impact on their financial statement, many lenders “worked out” defaulted loans and reissued new terms for the loans in the attempt to avoid foreclosure on rapidly depreciating property. Despite these efforts, lenders ultimately held huge portfolios of property from non-performing loans.

The insolvency of many banks and S&Ls because of their bad real estate loan portfolios resulted in a government-assisted liquidation of the portfolios through the Federally created Resolution Trust Corporation (RTC). The RTC property liquidation program had the effect of dumping huge amounts of property which were bought at prices that were often a fraction of replacement cost. Because the properties were often sold in bulk at enormous discounts, the purchasers were able to slash the rents for the properties, in order to lease more quickly, and still have a positive cash flow. This caused a flood of inexpensive commercial property to many markets which were already oversupplied. This caused a further decrease in commercial rents in many markets and forced many property owners who were able to hold on to their properties during the first decline to finally give in.

According to a 1991 report by the Federal Reserve, only one-third of the construction loans due in 1990 were retired in accordance with the original terms. In 1990, foreclosures at Chemical Bank increased by 45% over the previous year and problem and foreclosed loans comprised 58% of the bank’s net worth. (Mahar, 1991, p. 21). Instead of
an exception to the rule, Chemical Bank’s position mirrored the predicament of most major lenders in the country.

Maggie Mahar, in an article from Barron’s, summarized the problem with lending institutions in the 1980’s:

“Developer’s didn’t borrow in order to build; all too often they built in order to borrow-and borrow some more. The abundance of available capital, combined with S&L deregulation and inflation (in asset value) ... conspired to make it worthwhile for an entrepreneur to break ground and throw up a skyscraper just about anywhere.”  
(Mahar, 1991, p.24)

The resulting oversupply is illustrated by the dramatic increase in office vacancy rates which quadrupled from 5% in 1980 to 20% in 1990. Rents during the same period nearly halved from a national peak of $30 per square foot in 1982 to around $18 per square foot in 1990. (Mahar, 1991, pp. 10-11).

David Schulman, a real estate analyst for Salomon Brothers, noted:

“In the ‘Eighties’, with the onslaught of construction, vacancies rose - they were up to 20% by ‘86 or ‘87. Yet people continued building because there was still demand to lend on the assets. It was a frenzy. The link between vacancy rates and capital markets disappeared.”
(Mahar,1992, p.24)

Julien Studley, founder of the national real estate company bearing his name, observed:

“You know how buildings used to be built - before the ‘Eighties?’ You got a site. You got tenants. Then, you got financing. But in the craziness of the ‘Eighties’, sometimes the process reversed. Sometimes you got financing just on the dream of a site. A lender would say, ‘You’ve got the financing. If you just get the site, we’ll give you the money.’ And then, some third party - maybe an insurance company or pension fund - would say, ‘You know when you get that building built, I’ll buy it from you for a 5% return and lease it to financially shaky tenants who will have to relocate before the five year lease is up. They leave in two years, and we’ll get even higher rents from someone else.’ ”

(Mahar, 1992, p.24)
In the aftermath, the tenants in fact left the space, but unfortunately, there was no one that would lease at higher rents. In many cases, landlords were fortunate to find tenants who would lease the space at all. Says Schulman:

As a result of the tremendous oversupply of commercial real estate from the 1980’s, real estate in the early nineties is hitting the bottom with a thud instead of a bounce. The V-shaped curve of real-estate recession and recovery has become an L. Texas where the market fell first, illustrates the pattern: When available space began to decline, prices failed to rebound. Even when prices adjusted for smaller concessions in the form of free rents and tenant improvements, real rent remained relatively flat. Or as one Houston broker puts it: “We turned the corner but we didn’t leave any skid marks.”

(Mahar, 1992, p. 24)

Game Plan
This description of the real estate rise and fall in the 1980’s illustrates the desperate situation of many real estate owners, developers, and lenders at the point of the market crash in the late 1980’s. During the crash, many real estate related companies and financial institutions went bankrupt. Almost all were faced with a situation which necessitated business changes. Some companies saw that fundamental changes were necessary to survive, and applied the process of reengineering as a solution.

The following chapter provides a detailed literature review on the subject of reengineering. The definitions, implementation process, and outcomes of reengineering are presented. In addition, two primary ingredients of the reengineering process, empowerment and information technology, are also presented. Both have often been hailed as the corner stones of the reengineering process.

At the close of the literature review, a matrix is presented which outlines the major definitional and implementational components of reengineering. This same matrix is used to analyze the case study. Each component of the Copley change process will be examined in relation to the matrix. This will compare the case study to various components of reengineering theory found in the following chapter.
CHAPTER TWO
BUSINESS PROCESS REENGINEERING

INTRODUCTION
"Reengineering" has become a very popular subject. From trade journals to cocktail party conversation, the subject of reengineering is discussed. Despite its popularity, the process of reengineering is a concept that is often misunderstood. Many view reengineering as simply fixing a problem, others associate reengineering with corporate cutbacks and personnel layoffs. Although many conceptions give a partial understanding of reengineering, few are close to being complete.

The purpose of this chapter is to answer the common questions of an often misunderstood topic. What is reengineering?, Why is it necessary?, How is it implemented? are all questions that will be answered in this chapter. Forces for change, usually environmental, cause a basic need for strategic change within an organization. In order to achieve the desired strategic change, there is often a need for fundamental structural change. Reengineering is one process by which organizations are able to achieve this fundamental strategic and structural change. The process is as follows:

Environmental Forces→ Strategic Change→ Reengineering

Organization of this chapter is similar to the flow chart above. First, modern environmental forces for change are examined. Next the need for strategic change is discussed. Strategic change mandates the need for structural change. Reengineering is a process for achieving fundamental business changes. The definitions, implementation guidelines and outcomes of reengineering are discussed immediately following the section on structural change. In addition, the meaning and relevance of empowerment and information technology, as two primary aspects of reengineering, are presented in this section.

FORCES FOR CHANGE
Environment Forces
Every organization is impacted by environmental forces. The occurrence of a material change in the environment, such as a new competitor, technology or product, creates the impetus for organizational change. This section identifies the environmental forces generating a need for change in today’s organizations.

The environment of the 1990’s is more complex and turbulent than at any time in the past. Companies are contending with a broad array of demanding environmental forces: globalization of business; maturing markets; continuous change in technology, task complexity and social priorities. Hammer and Champy (1993, pp. 17-24) condense these environmental forces into the three C’s:
Customer
Beginning in the early 1980's, the position of strength, historically enjoyed by sellers, began to shift dramatically in favor of the customer. By the early 1990's, sellers no longer dominated the relationship - the customers did. As a result, the focus for sellers shifted from filling mass orders to providing customers with individual attention, quality, price, selection and service.

Competition
The nature of competition changed with the emergence of niche players, falling trade barriers and advancing technology. As a result, companies face an increasing number of competitors. Each competitor strives to offer the lowest price, highest quality and best service. The intense competition results in continuously rising customer expectations for goods and services.

Change
For many companies, accelerating change has replaced stability as the normal state. Such pervasive and persistent change results from the increasing level of competition. To maintain growth in the face of competition, companies introduce new products. In the rush to beat the competition, both product life cycles and time for research and development of new products diminishes.

In commenting upon the pervasiveness of environmental forces, Hammer and Champy observe:

“In today’s environment, nothing is constant or predictable - customer demand, product life cycles, the rate of technological change, or the nature of competition.”

(1993, p. 17)

All indications imply that these forces are not an aberration, but rather a permanent and accelerating component of conducting business for any organization. The impact of environmental forces on an organization is the subject of the next section.

Environment Impacts Strategy
Alfred D. Chandler, Jr. defines organizational strategy as “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.” (1962, p. 13). The goals and objectives of an organization are determined in accordance with the perception of environmental forces in which the organization operates. Therefore, organizational strategy is fashioned in consonance with perceived environmental forces.
Strategy is designed in order for an organization to excel in a particular environment. If the environment changes, the organizational strategy must correspondingly change to meet the new set of forces. If the strategy does not change with the environment, then the organization will eventually cease to exist.

To cope with change in the environment, organizations typically reacted by maintaining the existing organizational strategy, but improving operations through individual actions such as cost cutting or additional investment in information technology. In the modern environment, this course of action by itself provides only a Band-Aid approach and often proves inadequate.

The three C’s impacting today’s organization have not just changed the rules, but have shifted the entire playing field. To continue playing, organizations must create a new strategy. In creating a new strategy, however, the old organizational structure, the existing strategy’s support mechanism, is incapable of properly supporting and implementing the new strategy. The need for new organizational structure, as the result of a change in organizational strategy, is the focus of the next section.

**Form Follows Strategy**

Chandler defines structure as “the design of the organization through which the enterprise is administered...” (1962, p. 14). He links organizational strategy and organizational structure by stating that structure follows strategy:

“That different organizational forms result from different types of growth can be stated more precisely if the planning and carrying out of such growth is considered a strategy, and the organization devised to administer these enlarged activities and resources, a structure. The thesis...is then that structure follows strategy....”

(1962, p. 14)

If structure is disassociated from strategy, inefficiencies inevitably result. Chandler makes this observation in the following quote:

“When structure follows strategy, inefficiency results... If they failed to reform lines of authority and communication and to develop information necessary for administration, the executives were drawn deeper and deeper into operational activities and were working at cross purposes.”

(1962, p. 314)

Just as new strategies are instituted in response to changes in the environment, new organizational structures are also developed to effectively support the new strategy. The depth or level of changes in strategy and structure correspond to the frequency of the company’s reassessment of the market and implementation of new strategies and structures. The relationship between environmental forces, organizational strategy and organizational structure are diagramatically identified below:
By not evolving and refining the strategy and structure as environmental changes dictate, the organization threatens to stagnate and ossify. The greater the shift in market dynamics without a corresponding shift in an organization's strategy and structure, the more dramatic and painful the inevitable change to the organization.

The refinement of organizational strategy and structure in response to environmental forces requires the involvement of the total organization. Beckhard and Harris confirm this in the following observation:

"It is increasingly necessary in today's complex organizations to have a planned, managed-from-the-top, organization-wide effort to create a set of conditions and a state that will allow the organization to "creatively" cope with the changing outside demands on it and that can also increase the possibility of organizational survival."

(1977, p. 4)

One "set of conditions" recently applied by organizations searching to "creatively cope with changing outside demands" is commonly referred to as reengineering. This change process evolved from the failure of traditional organizations to meet their potential in today's environment.

**Candidates for Reengineering**

Any complex, multi-tasking organization is a candidate for reengineering. Potential entities can be companies from either the service or manufacturing sectors. Typically, companies in need of reengineering fall into one of three basic categories:

1. **Companies in deep trouble** - persistent losses, higher costs, falling revenue. Needed order of magnitude improvement.
2. **Trouble up ahead** - current operations are fine, but management perceive approaching threats and adversity.
3. **Peak performance** - industry leader, no problems. Initiate reengineering to further the lead over competition.

(Hammer and Champy, 1993, p. 34)

**DEFINING BUSINESS PROCESS REENGINEERING**

This section first describes a traditional organization and then provides a detailed presentation of the unique features and scope of business process reengineering. The roles of information technology and empowerment in the reengineering process, are presented at the end of this section.
Traditional Structure - A Functional Organization

By mid twentieth century, organizational structures were hierarchical and patterned after the military and Catholic Church. Command and control were clearly defined. Structure reflected reporting requirements and control needs. To achieve optimum efficiency, industrial work was divided into small and simple tasks referred to as specialization of labor. Workers were only responsible for the performance of their designated task. A well known example of task specialization was provided by the automobile industry. In the plant, workers stood beside an assembly line installing the same part over and over.

Reflecting task specialization, many companies organized along major functions. Examples of functions include R & D, manufacturing, sales, distribution and service.

The various functions of an organization typically acted as independent units in the following manner: R & D created and designed the product, then passed it to manufacturing to be made. Sales then sold the finished product, after which distribution and service fulfilled their responsibilities. Through this type of rigid compartmentalization, American industry was able to match the phenomenal demand of mass markets and set performance standards for the business world.

The Process Organization

By the 1970’s, the complexity of the environment and availability of sophisticated technology caused many organizational theorists and organizational leaders to reexamine basic assumptions of organizational structure. As task complexity increased and old organizational forms continued to perform inadequately, organization managers designed or reengineered organizations more capable of meeting the demands of a modern environment.

One organizational approach focused the company around work requirements or processes. A process was defined as “any sequence of pre-defined activities executed to achieve a pre-specified type or range of outcomes.” (Talwar, 1993, p.26). The process approach reunited certain tasks or functions which had become separated in the functional structure by specialization of labor.

A process consisted of not just one, but several functions. Examples of processes were new product development, order fulfillment, accounting etc. In the instance of new product development, the functions of sales, research, manufacturing and distribution work together to create, build, sell and transport a product. In contrast, the functional organization would have handled each of these functions in isolation with limited or non-existent interaction between the functions. The success of processes rests in the involvement of multiple functions. An organization based on processes, rather than functions, is considered better able to respond to internal and external pressures.
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<td>Channels of Communication</td>
<td>highly structured controlled information flow</td>
<td>open-free flow of information</td>
</tr>
<tr>
<td>Operations</td>
<td>uniform and restricted</td>
<td>vary among business units</td>
</tr>
<tr>
<td>Authority for Decisions</td>
<td>taken within formal line-management position</td>
<td>taken by empowered individuals with relevant expertise</td>
</tr>
<tr>
<td>Adaptable</td>
<td>slow and reluctant even when business circumstances warrant change</td>
<td>changes as needed in line with continuous improvement</td>
</tr>
<tr>
<td>Work Emphasis</td>
<td>formal procedures handed down</td>
<td>devise own effective processes</td>
</tr>
<tr>
<td>Control</td>
<td>tight through strict, formal systems</td>
<td>devise own measurements in line with fulfilling process role</td>
</tr>
<tr>
<td>Behavior</td>
<td>contained by need to follow job</td>
<td>role and responsibilities evolved to meet needs of process</td>
</tr>
<tr>
<td>Participation</td>
<td>little-information is handed up, decisions down</td>
<td>team working with cooperation between teams</td>
</tr>
</tbody>
</table>

| Summary                  | Rigid and Slow                                          | Flexible and Quick                                    |

(Talwar, 1993, p. 30)

With the pressures of the modern environment, companies need to look beyond the functionally aligned traditional organizations. Although the traditional organization was efficient at one time, that era is long past. To successfully meet the challenges of the modern environment, an organization must be flexible, quick and responsive. The functional organization is incapable of effectively integrating these qualities. In contrast, the process aligned organization is able to attain a level of flexibility, quickness and responsiveness unimaginable in a functional orientation. In striving for these qualities, business process reengineering evolved from the concept of process alignment.

**Business Process Reengineering**

Beginning in the late 1980's and early 1990's, the concept of process reengineering was expanded from aligning an organization around processes to include a complete reappraisal and redesign of the total business. This type of comprehensive organizational change is referred to as Business Process Reengineering (BPR). BPR provides an approach to achieving tremendous improvements in customer service and business efficiency by rethinking and streamlining “the business processes and supporting architecture through which the organization creates and delivers value.” (Talwar, 1993, p. 23).

**Common Definitions of Business Process Reengineering**

Although slight differences in interpretation exist, the common definition of BPR provides for a radical redesign of the business leading to tremendous breakthroughs in performance.
In addition, there is widespread agreement that business reengineering was not about “down sizing”, “restructuring”, “right-sizing”, “automating”, “software reengineering”, “reorganizing”, “delayering”, “organizational flattening”, “busting corporate bureaucracy”, “quality improvement” or “Total Quality Management”. These programs are characterized by ongoing, incremental improvements to existing systems. In contrast, business process reengineering is characterized as radical, sweeping and all-encompassing. The process is about reinventing, not modifying.

In the Hayley and Plewa article, Gordon Kerr, Senior Vice President of MIS for Hyatt Corp., views business process reengineering as customer driven. The purpose of the change process is for the customer to recognize the changes. To Kerr, reengineering is “totally changing the way a process works - not just internally but externally too - so the customer sees the dramatic changes.” (1993, p. 26)

In support, Weber and Kelly also stress the customer’s role as the preeminent factor in the reengineering process:

- “What does the customer want?”
- “How can the customer needs be best satisfied?”

(1993, p. 45)

In addition, Theodore Richman and Charles Koontz view business reengineering in terms of the potential performance gains for the customer’s benefit:

“The radical redesign of work processes, organizational structure, information technology, job content and flow, to achieve quantum improvements in customer-valued productivity.”

(1993, page 26)

In another area of the Hayley and Plewa article, however, Michael Roche, Senior Vice President and CIO at Heller International Corp., places more importance on the change in organizational mind set as opposed to the focus on the customer:

“A lot of people are doing business improvement and wanting to call it reengineering. But reengineering is different. It is a philosophical change leading to a dramatic breakthrough - it questions almost everything done in a particular function and asks, ‘Why do we even have this function?’”

(1993, p. 26)

As opposed to the focus on the customer or organizational mind set, Teng, Grover and Fiedler (“Teng”) view the reengineering process strictly in terms of the potential for improvement in organizational performance: Reengineering is
"the critical analysis and radical redesign of existing business processes to achieve breakthrough improvements in performance measures."

(1994, p. 10-11)

In agreement with Teng's definition of reengineering, Hammer and Champy expand the focus on performance by identifying four key determinants necessary to achieve breakthrough performance:

"Reengineering is 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."

(1993, p. 32)

These four determinants are discussed by Hammer and Champy in their book. (1993, pp. 32-36).

1. **Fundamental**: Basic questions are posed about the company - “Why do we do what we do?” and “Why do we do it the way we do it?” Raising these basic questions forces a review of codified rules and assumptions often revealing them to be obsolete, erroneous or inappropriate. The reengineering process should be initiated without preconceived assumptions. Reengineering first determines “what” a company had to do, then “how” to do it.

2. **Radical**: The focus is on reinvention, not modification or enhancement. New concepts are developed and old ones discarded.

3. **Dramatic**: Quantum improvements, not marginal ones, are envisioned - not a betterment of 10%, but 500%.

4. **Processes**: Processes focus on despecializing tasks and regrouping functions across organizational boundaries.

**The Players**

In defining BPR it is important to mention the players involved in the process and their corresponding roles. The types of individuals involved in the BPR process often determine the success or failure of the initiative. Hammer and Champy identify the key players typically involved in the process:

- **Leader** - Senior executive who authorizes and motivates the overall reengineering effort.
- **Process Owner** - Manager responsible for a specific process and the reengineering of that process.
- **Reengineering Team** - Group of individuals dedicated to the reengineering of a process - analysis, design and implementation.
- **Steering Committee** - Policy making body consisting of senior managers. Responsible for the strategy and monitoring the progress of the reengineering effort.
- **Reengineering Czar** - Individual responsible for developing reengineering techniques and tools and achieving synergy among the organization’s various reengineering projects.

(1993, p. 102)

The natural progression is for the Leader to appoint the Process Owner. The Process Owner assembles the Reengineering Team. The Team reengineers the process under the guidance of the Process Owner, Reengineering Czar and the steering committee. The players and their roles are discussed in more detail in the following:

**Leader**
The Leader is the locomotive propelling the reengineering effort forward. This is an executive with the clout and power to turn the organization on its head. Without a forceful and motivated leader, the reengineering process inevitably grinds down. Generally, the leader volunteers as opposed to being elected or assigned. This individual knew change has to occur. The leader’s primary responsibility are to provide a vision of the reengineered company and motivate the members in the organization toward this vision.

With the new vision, the Leader sets new standards. The Process Owners are charged with turning the vision and standards into reality. Through the Leader’s conviction and enthusiasm, the organization derives the spiritual energy for the reengineering effort. The Leader makes people want and believe in the vision.

The Leader demonstrates leadership through signals, symbols and systems. Signals are explicit communications sent to the organization about the reengineering initiative. They encompass the basics of what, why and how. Symbols are actions taken by the Leader to reinforce the signals. Examples of signals include assigning the best people to the reengineering effort or firing anyone who blocked the effort. The systems are management systems utilized to reinforce the reengineering message. These systems measure and reward people’s performance in the reengineering process. The systems focus is to encourage participation and commitment.

**Process Owner**
The Process Owner is typically a senior executive enjoying prestige, clout and credibility in the company. After assembling the Reengineering Team, the Process Owner does whatever is required for the Team to operate: secure resources, run interference with bureaucracy and enhance cooperation. The Process Owner does not direct or order, but rather motivates, coaches and advises the Teams.
Reengineering Team
The heavy lifting in the reengineering process is performed by the Reengineering Team. The Team produce the plans and ideas and then turns them into reality. This is the entity that actually reinvents the business. With the Process Owner as their client and not their boss, the Reengineered Teams are largely self-directed.

A Team reengineers only one process at a time. Several Teams are required for the simultaneous creation of several processes. Teams, consisting of between five and ten people, are comprised of “insiders” and “outsiders”. Insiders work within the process being reengineered and provide the expert knowledge regarding the process. Because of their direct involvement in the process, the insiders are considered biased in their frame of reference. Without a disruptive force, the insiders, being left alone, will reengineer the same basic process with only slight modifications.

The disruptive force is the outsiders. Outsiders do not work within the process being reengineered and are often brought from outside the company (i.e. consultants). As a result, they provide a higher level of objectivity and unique perspective. Outsiders need to be good listeners, communicators and big-picture thinkers.

Conflicts often arise within the reengineering team. The exchanges of ideas and comments are healthy. However, turf battles and private agendas are unhealthy. The active participation of all the members is essential. Active participation means not only their involvement in the Team sessions, but their time allotment to participate in the process. For effective results, Team members need to allot a minimum of 75% and preferably 100% of their work week to Team sessions. A commitment of time less than the minimum results in dragging out the process and losing steam. In addition, the level of time allocated for the Team sessions sends an effective signal to the rest of the organization. The team remains in existence until completion of the reengineering effort.

The Reengineering Team is often supported by part-time and occasional contributors representing suppliers, other process customers and specialists. The specialists have expertise in particular disciplines such as Information Technology or human resources. They provide a support function to the Reengineering Team.

Steering Committee
The Steering Committee, consisting of senior managers, plans the organization’s overall reengineering strategy. The Leader chairs the group. The Steering Committee decides issues on a macro level. They allocated resources and determine priority among competing reengineering projects. In addition, the Steering Committee settle disputes between Process Owners and serves in an advisory capacity to Process Owners and Reengineering Teams. However, the existence of this group is optional in the reengineering process.
Reengineering Czar
The Reengineering Czar provides the leadership and guidance for the day to day reengineering process and serves two primary functions. First, the Czar supports and enables each Process Owner and Reengineering Team. Second, the Czar coordinates all reengineering activities. Typically, the Czar is experienced in the reengineering process and answers all question regarding the implementation of reengineering techniques.

DESIGN AND IMPLEMENTATION
The steps necessary to design and implement business process reengineering vary by situation and company. A simple manual, detailing specific steps of reengineering, never has been nor could be created due to the unique requirements of each company. However, general principles and commonalties have been identified through the prior reengineering of several companies and are discussed in this section.

Prior to Reengineering
Prior to starting the reengineering process, a senior manager or a group of like minded senior managers should accomplish the following:

1. A detailed diagnosis of the fundamental condition(s) causing a need for change - *(what and why)*;
2. A preliminary, but detailed description or picture of a desired “end state” - *(where to)*;
3. A clear and accurate picture of the pre-change state in relation to the change goals or “end state” - *(how to get there).*

*(Beckhard and Harris, 1977, p. 17)*

What and Why
Through this initial analysis, the manager(s) identifies the primary internal and external pressures affecting the operations of the organization. These are the “what” or problems requiring change. The “why” is the reason change will improve operations. This stage is sometimes referred to as a “case for action.”

Although elementary, correctly interpreting the organization’s problems and solutions is the beginning of reengineering. The change process responds to a set of assumptions. If the assumptions are erroneous, then the change process responds irrelevantly. The result is irrelevant change. Change for the sake of change is inefficient and leads to disastrous results. After mistakenly believing they fully understand pressures affecting the organization, too many managers institute change processes under faulty assumptions.

Where To
The desired “end state” or “where to” are the goals defined by management. These goals provide a comprehensive description of the future state. Although problems and goals are interrelated, goals, and not problems, propel the change process. In this manner, the manager identifies the general direction of the change process.
How
The “how” identifies the means or the steps needed to move from the pre-change state to the post-change state. It is important to note that this analysis is not detailed, but general in nature. These initial steps force management to determine where they are, where they want to go and how to move from here to there. Once determined, the manager has established a basic framework for the reengineering process.

Steps in Reengineering
After identifying the framework, the senior manager(s) is in a position to begin the reengineering process. Talwar identifies six key steps in implementing business process reengineering:

1. Create a clear focus or vision of the reengineered organization.
2. Plan how the vision will be realized.
3. Analyze the current structure and processes.
4. Redesign the business structure.
5. Implement the redesigned organization and processes.
6. Measure the benefits and share the learning.

(1993, p. 31)

1. Vision Statement
The vision statement outlines in general detail a description or image of what the company wants to be. This step is described by Beckhard as determining the “desired state” of the organization (Beckhard, 1977, p. 19). Hammer and Champy define the vision statement as:

“the way a company’s management communicates a sense of the kind of organization the company needs to become. It describes how the company is going to operate and outlines the kind of results it must achieve. It is both a qualitative and quantitative statement, which a company can use again before and during reengineering, as a reminder of reengineering’s objectives, as a yardstick for measuring progress, and as a prod to keep the reengineering action going.”

(1993, p. 154)

The vision statement builds upon the “case for action”. The “case for action” provides the shock to move the company from the status quo. The vision statement provides the draw for the organization. A well drawn and articulated image or vision statement often provides substance and focus for the company through the rigors of the reengineering process. Hammer and Champy identify three elements of an effective vision statement:

1. Focus on operations;
2. Include measurable objectives;
3. Change the basis for competition in the industry.

(1993, p. 156)
According to Talwar, the effective vision statement “aim[s] to ensure a clear focus on products ... and ... competencies.” (1993, p.31) Importance lay in the current and future profitability of products. This search for competence involves the analysis of the following:

- underlying features of the organization’s most successful products;
- capabilities in which the organization had a worthwhile and defensible edge;
- customer requirements and capabilities on which market dominance hinged;
- results of past approaches to defining and building capability.

2. The Plan
The quality of the reengineering plan is central to the probability of success. The plan is the road map of the specific steps and events needed to move the organization from the old to the new. In essence, this is a timetable of “events”. Examples of events include the timing of meetings, decisions, announcements, policies, etc. An effective plan consists of the following:

1. activities clearly linked to the change goals;
2. activities clearly identified rather than generalized;
3. activities linked or integrated;
4. activities time sequenced;
5. activities flexible and include contingency plans for the unexpected;
6. activities supported and agreed to by senior management;
7. activities are cost effective in terms of financial and human capital.

(Beckhard and Harris, 1977, p. 52)

However, the plan is not static, but reviewable. The emphasis is on achieving a desired state, rather than just completing a series of prescribed activities.

Often the work associated with the action plan is added to the individual’s existing responsibilities. Since the individual’s reward systems are typically based on their traditional responsibilities, individual’s primary energies and time tend to focus on their existing responsibilities, rather than on the action plan or reengineering effort. This threat, however, is eliminated by having individuals report on both their traditional activities and reengineering activities and by tying the reward system to the individual’s performance within the action plan.
3. Analysis of Current Structures and Processes
This step expands on the “case for action” by questioning the necessity and viability of existing structures and processes. The current business is understood in greater detail by analyzing the following:

- customer requirements;
- target processes;
- organizational issues;
- IT infrastructure;
- candidates for improvement.

(Talwar, 1993, p. 34)

To facilitate this analysis, maps are utilized to identify work flows through the company.

4. The Redesign
After mapping the process, the next step is to identify which processes to reengineer and in what order. As an example, Hammer and Champy outline the following criteria to determine this:

1. Dysfunctional - Which processes are in the worst shape. These are typically self-evident and widely recognized.
2. Importance - Which processes have the greatest impact on the company’s customers.
3. Feasibility - Which processes are capable of redesign in terms of likelihood and cost. An indicator is the size or scope of the process. Larger the process, greater the impact, greater the risk of successfully redesigning. Broader scope meant more orchestration.

(1993, p. 122)

These criteria serve only as general guidelines in making choices. Other issues to be considered include customer satisfaction, best-in-class performance, etc.

As part of redesign, managers identify parts of the organization affected the most by the reengineering. Once these areas are identified, the managers determines the following:

- the attitudes of both those subsystems and their leaders toward the change;
- the readiness of the subsystems and their leaders to commit themselves to the change;
- an objective assessment of their capability to operate under the change;
- a determination of potential problems arising from the change.

(Beckhard and Harris, 1977, p. 27)
This procedure eliminates the consideration of irrelevant subsystems and aids in clarifying the design strategy. From this point, the manager is able to identify those areas of the organization to be changed. Examples of required changes are:

- attitude,
- practices,
- policies,
- structures,
- rewards.

(Beckhard and Harris, 1977, p. 21)

For acceptance of the new order throughout the organization, the design involves breaking or “unfreezing” deeply held attitudes or behaviors. This is achieved through goal-setting, training and direct intervention or oversight by senior management.

Designing is marked by creativity and imagination and abandonment of familiar concepts and precepts. According to Hammer and Champy, effective redesigns share the following basic ingredients:

- Organize around outcomes not tasks;
- Have those who use the output of the process perform the process;
- Treat geographically dispersed resources as though they are centralized;
- Link parallel activities instead of integrating their tasks;
- Place the decision point where the work is performed and build control into the process.
- Look for opportunities to creatively apply technology.

(1977, page 134-147)

5. Implementation of Design - Structures and Processes
The implementation of the reengineering process dismantles the old and institutes the new systems and structures. To facilitate the implementation, management devises a strategy or implementation plan for controlling the inevitable confusion, resulting from the transition of the old to the new, over roles, responsibility and authority. This phase of the change process, commonly referred to as the transition period, requires significant attention and planning from management. Quite often, however, insufficient attention and resources are allocated to this stage.
Talwar identifies three aspects of an effective implementation plan:

1. Changes affecting parts of the current structure that remain largely unchanged;
2. Put in place those elements of the structure that undergo substantial change;
3. Identify changes to be made in future rounds of reengineering.

(1993, p. 37)

Prior to entering the transition period, the manager(s) initiates the following:

1. defines the transition state as a separate period with distinct needs from the pre-change and post-change state;
2. determine the appropriate form of governance or management structure;
3. establish the appropriate management structure and system;
4. effectively communicate the existence of the management structure and system to all related parties.

(Beckhard and Harris, 1977, p. 49)

A consideration in identifying a transition management structure is to find an individual(s) in the organization with the following characteristics:

- Have the clout to mobilize resources necessary to continue the change. This individual is competing for resources with on-going demands.
- Have the respect of the existing operating leadership and the change advocates. The individual enjoys a reputation for wisdom and objectivity.
- Has effective interpersonal skills. Persuasion, rather than force or formal power, is of greater value.

(Beckhard and Harris, 1977, p. 46)

The ability to appoint such an individual(s) to the leadership of transition management has an impact on the type of structure to implement. There are a variety of temporary management structures. The implementation of any one structure depends upon the inherent resources and needs of the organization during the transition.

6. Measuring Benefits
A vital, but difficult, aspect of the change process is measuring the effectiveness of the change effort. Some of the typical questions raised are listed below:

- How do we know the change effort has been worthwhile?
- Has the change effort worked?
- How do we know the new state will be maintained?
- How do we monitor the change? (Beckhard and Harris, 1977, p. 85)
Although such questions are important, they are often glossed over and the change process is not properly evaluated. This typically results from an absence of evaluation issues in the early stages of the change process and/or lack of measures developed to use as benchmarks against the outcome of the change process. In addition, general perceptions often serve as a substitute for formal evaluation.

Formal evaluation is defined as a set of planned, information-gathering, analysis activities undertaken to provide a satisfactory assessment of the effects of the change effort.

In creating a formal evaluation plan, the following needs are considered:

1. Purpose of the evaluation;
2. Types and sources of information needed by management;
3. Individuals to receive the data from the evaluation;
4. Data collection methods and time and resource constraints;
5. Appropriate time for gathering of data and management review.

(Beckhard and Harris, 1977, p. 87)

The objectives of the evaluation plan are:

1. To identify and share the learning on what worked and what could be improved;
2. To help create a continuous improvement process to support on-going refinement;
3. To communicate the overall results and encourage others to spot further opportunities to be addressed in subsequent rounds of re-engineering.

(Talwar, 1993, p. 37)

**Change Management**

Reengineering requires major changes in the organization’s culture and modifies the behavior, expectations, attitude and commitment of management and staff. The more demanding the objectives, the more encompassing the reengineering process. Under such circumstances, there is a need for effective change management. The following identifies some of the reasons for resistance to change process in an organization.

**Barriers To Change**

Reengineering often causes fear, uncertainty and doubt in the organization:

- Senior and middle managers may lose power and authority in the new structure;
- Potentially flatter organization are perceived to offer fewer promotions and advancements;
- Rumors abound about the impact of the changes;
• Reengineering often involves layoffs;
• For those remaining, stress is increased from more responsibilities and the consequences of failure.

(Talwar, 1993, p. 39)

In managing resistance, the following identifies commonly utilized steps:

**Gaining Commitment**
A broad based commitment is essential to the success of reengineering. The campaign to gain commitment begins with the realization of the need for reengineering and is not completed until well after the implementation of the redesigned processes. Throughout this period, clear and frank communication on the need for reengineering and the anticipated effects is essential to gain the faith of the employees. Hammer and Champy contend that two key messages need to be relayed to the employees:

1. Here is where we are as a company and this is why we can’t stay here.
2. This is what we as a company need to become.

(1993, p. 149)

The first message has to provide a compelling argument for change. If not, the broad based commitment will not materialize, while overt and covert obstruction will. The second message provides the employees with a discernible goal. Articulating these messages forces management to think about the need for change and its effect.

Individuals, whose commitment is essential to the success of the change process, are identified in the organization. In addition to identifying political commitment, a systematic analysis is initiated to identify those subsystems, individuals and groups whose support ensured the successful implementation of the reengineering effort.

In any complex change process, a “critical mass” of committed people has to be assembled in order to provide the energy and drive necessary to sustain and complete the change process. The involvement of this critical mass ensures the completion of the change process.

To identify the critical mass within the organization, the following steps are taken:

1. Identify target groups or individuals whose commitment is essential to the success of the change process;
2. Define the critical mass needed to ensure the effectiveness of the change;
3. Develop a plan for securing the commitment from the critical mass;

(Beckhard and Harris, 1977, p. 54)
“Project marketing” builds and develops an organization-wide understanding and support for the reengineering. The purpose is to identify fear, uncertainty and resistance. The key to this procedure is the implementation of supportive two-way communications.

**Management Systems**

Two main systems are required to control the change.

1. A system of standards ensuring consistency across projects.
2. Tools to support scheduling, communications and progress reporting.

The following identifies steps to sustain change:

1. Management pays constant attention to continuous transition;
2. Management sets explicit procedures for prioritizing additional improvements;
3. Management establishes systematic and continual processes of feedback;
4. Management rewards individuals for spending time and energy on these processes. 
   (Beckhard and Harris, 1977, p. 100)

However, the best way to establish an effective change management program is to learn from the mistakes made in other reengineering efforts. These common errors are identified in the following subsection.

**Common Errors**

The most difficult part of the change process:

"is not the process leading to the changeover but the period immediately afterward...Change, the corporate order of the day, is often only skin deep. The old bureaucracy is remarkably resilient. Often it is only in remission. It is the rehabilitation phase, which comes after the ax has been wielded, that is fraught with danger. Fundamental change takes years. Superficial improvements can be achieved in a shorter time, but the real bureaucracy is only bent, not beaten....CEOs get blind sided in the period immediately after initial reform. Absent the animation of daily change, the tendency is to throttle back to routine. Unless one is on guard, the old ways edge back...."

(Budd, 1993, p. 32)
In his article, Talwar identifies another threat:

“Experience suggests that those who have tried to re-engineer often fail if they focus all their attentions in one area alone such as technology. Similarly, organizations, which choose a balanced approach but then set targets far beyond the sights of those involved, have also found the exercise failing.”

(1993, p. 33)

Sources of Risk
Chandler identified two main sources of risk involved with reengineering. The first are the risks associated with the change itself - complexity of planned change, career risk for those involved and the speed of the change. The second source stems from the company’s previous attempts to change in the past (Chandler, 1962, p. 104-106).

Hammer and Champy identify other common errors resulting in failure of the reengineering process:

- Instead of reengineering, conduct process changes and then consider them reengineered.
- Instead of focusing on business processes, focus on teamwork, automation, empowerment, etc.
- Instead of welcoming change, feel fear and try to limit change.
- Consider communication and motivation as unnecessary.
- Marginal improvement is more attractive than the pain of reengineering.
- Retreat too early - first sign of difficulty or success.
- Utilize old concepts and precepts in reengineering process.
- Those responsible for reengineering are uncommitted and unknowledgeable of the process.
- Bury reengineering in the middle of the corporate agenda.
- Reengineer all the processes at one time.
- Attempt to reengineer when the CEO was two years from retirement.
- Fail to distinguish reengineering from other business improvement programs.
- Concentrate on only redesigning without thought or focus on implementation.
- Pull back at first sign of resistance.
- Prolong the reengineering effort beyond a focused time period.

(1993, pp. 200-212)

Weber and Kelly identify high level executive sponsorship - “the higher, the better” - (1993, p. 45) as the most critical factor in reengineering. If the CIO or CEO is not involved in the initiative, the process has a “much smaller chance of success because reengineering...cuts across the entire firm, including operating units and functions...”
(Weber and Kelly, 1993, p. 45). The senior sponsorship also assures time and resources are devoted to the effort.

Daniel Dvorak, Vice President of MIS for Pepsi-Cola General Bottlers Inc., observes in the Hayley and Plewa article that “success or failure is directly related to the buy-in you get at the department level when you embark on the project. The business process, not the technology must drive the effort. Some of these reengineering projects could have been done even without advanced technology.” (Hayley and Plewa, 1993, p. 30)

During the change process, individuals set aside time and energy from their normal responsibilities to organize the change. Once the change have been instituted, people are expected to return to their basic responsibilities. At this point, the threat exists that activities related to the change process are relegated to “extracurricular activities.” This is detrimental to maintaining and furthering the change process.

Section Summary
This identified steps and types of individuals needed for successfully implementing business process reengineering. In addition, this section identified steps to ensure a successful change process and common errors made in implementation. The next section summarizes the expected outcomes from BPR.

CHARACTERISTICS AND RESULTS OF BPR
Hammer and Champy identify the following common characteristics in reengineered companies regardless of industry orientation or business focus:

- Tasks are reunited
- Workers become decision makers;
- Flexibility;
- Single point of contact;
- Centralized/Decentralized Operations

(1993, pp. 51-63)

Tasks Are Reunited
The specialization of labor or assembly line is absent in a reengineered organization. Formerly distinct jobs or tasks are integrated and compressed into one process.

Workers Become Decision Makers
In the functional organization, decision making authority is consciously separated from the worker and assigned to the manager. In the reengineered company, the workers within processes have authority to make decisions.

Flexibility
In serving mass markets, standardization was the key to success and resulted in rigid and inflexible functional structures. In the environment of the 1990’s, however, standardization is the key to failure. To move quickly from one opportunity to another,
reengineered companies are capable of easily creating multiple versions of the same process. Each version is designed to meet the needs of a particular customer or market.

**Single Point of Contact**

One individual interacts with the customer and assumes responsibility for the customer's needs. To answer and solve customer problems, this individual is able to make decisions and act.

**Centralized/Decentralized Operations**

By employing information technology, reengineered companies operate with autonomous individual units.

**Empowerment**

In *Empowerment in Organizations*, Judith Vogt (1990, p. 8) defines employee empowerment as intensifying the employee's level of input and involvement in an organization by allowing the employees, at the lowest appropriate levels, to make and implement decisions. Employee empowerment builds, develops and increases the power of an organization through employees cooperating, sharing, and working together. It is based on a synergistic, not a zero-sum, assumption about power. Rather than merely redistributing power, empowerment is assumed to enlarge the power and potential of an organization. However, the effect of empowerment becomes muted unless the employees making those decisions also become responsible for their success or failure.

Empowerment realigns the decision making process with those responsible for the business processes. This allows for quicker, more effective decision making within an organization. When making decisions and taking action, employees become more interested and involved in the effectiveness of the organization (Aubrey, 1988, pp. 1-4). With active employee participation, there is an increase in employee commitment and involvement. By allowing employees to serve as experts and provide input on ways to improve operations, management acknowledges the employee as a resource of knowledge and expertise in their particular areas. Through empowerment, the potential of a work force is more fully utilized by tapping into worker's brain power and creative aptitudes.

Senge (1990, p.4) identifies the following potential advantages of empowerment:

- Higher productivity and quality;
- Faster, more-flexible product development;
- Greater employee satisfaction;
- Heightened understanding of customer needs;
- More accurate knowledge of internal business processes.

Eccles (1993, p. 13) considers the benefits of empowerment to be increased employee involvement. This has the potential of enhancing productivity and
quality by finding better ways to organize and carry out tasks. Since empowerment enables employees to influence changes in their roles, improvement can be made more effectively.

**Fundamentals of Employee Empowerment**

In *High-Involvement Management*, Lawler (1986) identifies four fundamentals of employee empowerment:

1. power,
2. information,
3. rewards,
4. knowledge.

(pp. 26-30)

**Power**

Employees or groups are given the authority to make and implement decisions in a particular area or situation. For example, decisions on task completion, hiring, strategy, implementation, etc. are determined by the job holder in an empowered organization. In a traditional organization, these decisions are typically made by management or other supervisors of the job holders.

According to Lawler, the level of participative power or decision making should vary depending on the particulars of each company. However, some amount of significant decision making should exist in the lower levels of an organization in order to raise the level of employee participation.

**Information**

Information is the lifeblood of most organizations. For empowerment to work, information must be shared among employees throughout the organization. Without information easily flowing up, down and laterally, employee decision-making becomes inefficient and even dangerous.

**Rewards**

Rewards are an important aspect of worker motivation. There are two types of rewards: intrinsic (internal) or extrinsic (external). Empowerment raises the level of both types of rewards. Examples of intrinsic rewards are an individual’s feelings of pride or self worth in completing a meaningful job or being involved in an important decision. Examples of extrinsic rewards include salary, bonuses, promotions, etc.

**Knowledge**

Management and employees need relevant knowledge to successfully perform their responsibilities when making decisions, working on jobs, or solving problems. Training helps the members of the organization develop knowledge.
The amount and type of training provided to employees has a direct impact on work quality and amount of worker participation.

Lawler observes a significant difference between training individuals on how to do a job and training individuals to think about their roles and the organization. The latter enables the individuals to participate in a much broader spectrum of decision-making and allows them different expectations as to what type of input they should be providing.

Through these four fundamental components of employee empowerment, business process reengineering is provided with the means to initiate and implement the change process. Without providing employees with the ability to make decisions and take action, the reengineering process will grind to a halt. Due to its decision making component, employee empowerment is a more important enabler than IT in business process reengineering.

**Information Technology**
Historically, organizations applied Information Technology ("IT") only to work faster. Technology was often equated with automation. With little consideration beyond automating existing work-flow systems, functionally-focused computer systems were imprinted over functionally-focused paper systems. Hammer and Champy alluded to this as "paving the cow paths." (1993, p.104)

When overlaid on existing functional systems, even the most state-of-the-art computer systems are unable to achieve major advances in performance. Successfully implementing new technology requires more than installing new computers or fiber optic cable. New technology requires a reexamination of the way work is performed and the nature of the organization. The potential benefits of IT correspond only with the degree of changes in organizational characteristics. Kelly and Weber (1993) address this issue in the following:

"But if they ("Information Technology") are implemented in a vacuum - simply added to existing automation procedures for problem resolution, moves/adds/changes, large-scale change management and capacity planning - the result will be increased chaos. Before new systems are adopted, it makes sense to essentially start over and adopt a different frame of reference..." (p. 45)

The real power of Information Technology (IT) is not improving the speed of tasks, but enabling companies to discard old rules and create new ways of working that were
previously unimagined or impossible. Hammer and Champy (1993) observe:

“Information technology plays a crucial role in business reengineering....Modern, state of the art information technology is part of any reengineering effort, an essential enabler...., since it permits companies to reengineer business processes.” (p.82)

As a result, reengineering places new demands on IT. These demands include improved communication skills, greater business understanding, easy information flow across functional and departmental lines and flexible business networks.

N. Venkatraman (1994) proposes a hierarchy of five levels of IT-enabled business transformations. Each level is characterized by an increasing revolutionary aspect:

1. **Localized Exploitation** - deployment of standard IT applications with minimal changes to the business practice. Underleverages IT’s potential.
2. **Internal Integration** - more systematic attempt to leverage IT capabilities throughout (seamless) the entire business process. Technical interconnectivity and organizational interdependence. Minimal change in the business process.
3. **Business Process Redesign** - benefits from IT not realized if superimposed on current business processes. IT should be used as a lever for designing new structure and business process.
4. **Business Network Redesign** - redesign of the nature of exchange among multiple participants in a business network through effective deployment of IT. Boundaryless. Leverage systems to create interdependent processes, enhance decision making or provide distinctive value added services.
5. **Business Scope Redefinition** - Redefining the corporate scope that is enabled and facilitated by IT functionality.

(pp. 74-84)

The use of Localized Exploitation and Internal Integration sought organizational efficiencies by modifying existing business practices. In contrast, Business Process Redesign, Business Network Redesign and Business Scope Redefinition enhances organizational capabilities by allowing the organization to redesign. The difference between efficiency and enhancement is significant.

Through continual improvement and change, IT offers to organizations potential future modification or enhancement capability. The key is to maintain awareness of continual advances in IT and incorporate applicable changes as an on-going process.
Although IT is an important component of the reengineering process, the motivation for IT implementation must come from the business side and not from IT. Hammer and Champy comment on IT’s importance to a reengineering effort:

“As an essential enabler in reengineering, modern information technology has an importance to the reengineering process that is difficult to overstate. But companies need to beware of thinking that technology is the only essential element in reengineering.”

(1993, pp. 101)

Clearly, Information Technology is a major component of business process reengineering. IT provides the information and systems enabling business process reengineering to occur. However, IT is at best only an essential enabler, and not the driving force, of this change process. In fact, IT is not the only significant enabler of business process reengineering. The other primary enabler of reengineering is the subject of the final topic in this section.

Other Outcomes
BPR changes almost every aspect of an organization and its employees. It evolves jobs from being task or function-oriented to being multidimensional, process-oriented. People formerly receiving orders, now make decisions. Managers evolve from supervisors to coaches. Attitudes and values change as a result of the new initiatives. Hammer and Champy identify other outcomes commonly experienced:

• Work units change from functional to process team orientation;
• Jobs change from simple tasks to multidimensional;
• Worker roles change from controlled to empowered and self-directed;
• Workers follow their judgment, not company rules;
• Shift from training (the teaching of “how” of a specific task) to education (the teaching of “why” and understanding);
• Performance and compensation measures shift from activity to results based;
• Basis of promotion changes from performance based to ability based;
• Values change from satisfying boss to satisfying customer;
• Managers evolve from supervisors to coaches;
• Organizational structures change from hierarchical to flat;
• Executives change from scorekeepers to leaders.

(1993, pp. 64-80)

SUMMARY
Business Process Reengineering is a complicated and painful change process requiring commitment from all involved. The process is not just about reshaping, but about reinventing. All aspects of the organization are open to scrutiny.
In BPR, the role of the business environment often provides the driving force for the organizational change process. In order for a company to survive and grow, it must be able to adapt its strategy to the changes in the environment. Changes in strategy should lead to changes in structure in order to for the company to support its new strategic initiatives. The literature review showed that BPR is one means to realize new organizational structure.

Two important components of BPR are information technology (IT) and empowerment. IT provides greater access to information throughout the organization. Empowerment enables employees to use the information to make decisions. Without empowering the workers, neither the information nor the employees are used to their full potential.

In order to facilitate the understanding of this chapter, the following matrix identifies the significant definitional and implementational aspects of BPR. The matrix follows the organization of this chapter. It begins with the Forces for Change and the Candidates for Reengineering sections. The Definitions of BPR are then introduced along with the Players involved in process. The Implementation Process is then outlined, and the matrix concludes with Characteristics and Results section.

This matrix can be useful to any organization who has gone through or is considering BPR. An organization that has undergone BPR can apply its case to the matrix and use it as a tool for reflection. Those organizations considering BPR can use the matrix as a check list for the components of BPR. The columns labeled Present, Not Present, Present w/Qualifier, and Brief Explanation allow for a customized assessment to be made. They will be used in the application of the case study to the matrix in Chapter Four.

**Figure 1: Business Process Reengineering Matrix**

<table>
<thead>
<tr>
<th>Characteristics/Definitions</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
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</thead>
<tbody>
<tr>
<td><strong>Forces for Change</strong></td>
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<td>Change in Market Conditions</td>
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<td>Client Demands</td>
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<td>Increasing Competition</td>
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<tr>
<td>Continuous Change</td>
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<tr>
<td>Form Follows Strategy</td>
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<tr>
<td><strong>Candidates for reengineering</strong></td>
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<tr>
<td>Companies in deep trouble</td>
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<tr>
<td>Trouble up ahead</td>
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<tr>
<td>Companies that want to</td>
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<tr>
<td>continue peak performance</td>
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<tr>
<td><strong>Definitions</strong></td>
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<td>Radical redesign of business</td>
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<td>along processes</td>
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<td>Fundamental</td>
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<tr>
<td>Customer oriented</td>
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<td>-------------------------------------------------------</td>
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<tr>
<td>Tremendous potential breakthroughs in performance</td>
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</tbody>
</table>

**The Players**

- Leader
- Process Owner
- Reengineering Team
- Steering Committee
- Reengineering Czar

**Steps In Implementation**

**Create a Vision Focusing on Operations**

- Picture of "end state"
- Customer requirements
- Features of company's most successful products
- Capabilities with worthwhile and defensible edge
- Include measurable objectives

**Analyze Current Structure and Processes**

- Target processes
- Organizational issues
- Readiness of systems/leaders to change
- Assessment of capability to operate under change
- Determination of potential problems from change
- IT infrastructure

**Redesign Business Structure**

- Reorganize processes according to analysis performed
- Are activities cost effective - human/financial capital?
- Is individual's reward system linked to performance?
- Identify which processes to reorganize first by:
  - Dysfunction
  - Importance
  - Feasibility

**Implement Redesigned Organization and Processes**

- Measure the benefits and share learning

**Characteristics and Results of Reorganization**

- Tasks are Reunited with Group/Individual Responsible
- Flexibility for Further Change
<table>
<thead>
<tr>
<th>Characteristics and Results of Empowerment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee power to make decisions</td>
</tr>
<tr>
<td>Employee responsibility for decisions</td>
</tr>
<tr>
<td>Increased commitment and involvement in organization</td>
</tr>
<tr>
<td>Greater effectiveness - more fully utilize brain power and creative aptitudes</td>
</tr>
<tr>
<td>Information shared among employees</td>
</tr>
<tr>
<td>Proper knowledge - training</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Characteristics and Results of IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create new ways of working</td>
</tr>
<tr>
<td>Enables structural organizational changes</td>
</tr>
<tr>
<td>Better communication skills</td>
</tr>
<tr>
<td>Greater business understanding</td>
</tr>
<tr>
<td>Easy information flow across departments</td>
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<tr>
<td>Flexible business networks</td>
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</tbody>
</table>

This chapter presented and explained BPR. The next chapter presents a case study of one company that initiated and implemented BPR. The case study vivifies many of the concepts discussed in this chapter, and the analysis will compare theory to reality.
CHAPTER THREE

CASE STUDY:
COLEY REAL ESTATE ADVISORS

SETTING
Joe O’Connor, President and Chief Executive Officer of Copley Real Estate Advisors (Copley), gazed out of his corner office on the top floor of the company’s headquarters. Copley was a company distinguished from among competitors in the real estate investment industry with its tremendous growth and track record through the 1980's. O’Connor created and guided Copley from its inception in 1982.

O’Connor contemplated the changes which had taken place at Copley over the previous eight months, changes which had resulted in a complete reordering of the company’s organizational structure and in its orientation towards dealing with its external constituents. O’Connor knew of the mixed emotions among his employees and executives: excitement and eagerness to move forward with the new organization; uncertainty and some anxiety as to whether the objectives of the reorganization were going to be met. The implemented changes were hoped to set the company back on the road to becoming an industry leader. After months of intense review, analysis, discussion and planning, Copley and its people faced a number of unanswered questions, but they were prepared to meet the challenges ahead with a renewed sense of energy and commitment.

INTRODUCTION TO THE COMPANY
Copley Real Estate Advisors was formed in January, 1982 as a spin-off from the New England Life Insurance Company (NEL). Copley’s charter from New England was to manage the insurer’s real estate portfolio, valued at the time at $1.3 billion, and to make equity real estate investments on behalf of both NEL and new investors. O’Connor, a 1972 Harvard M.B.A. graduate, had been a Vice President of real estate and mortgages at NEL. He was the driving force behind the creation of the new offshoot, and brought with him 13 NEL people who had worked together for a number of years. Thirteen of the fourteen founding members of the company were still with Copley in April 1994, most of them in senior management.

The Copley mission was to leverage the real estate expertise of its founding members by bringing in outside funds to put together bigger transactions than those that were being undertaken “in-house” at The New England. Its investment strategy was what

This case was prepared by Mitch Abbey, Brint Davis, John Fleischli, and Bob Hentschel under the supervision of Dr. Gloria Schuck at MIT’s Center for Real Estate as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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distinguished it from its competitors in the real estate investment advisory business. Copley aligned itself with local developer partners in selected large growth markets throughout the US and provided to the developers, through its investors, the equity capital to proceed with new income-producing development projects. It also focused its investments primarily in industrial properties and, to a lesser extent, on R&D and office projects.

These strategies capitalized on several strengths. Investment in new projects, due to the inherent leasing, construction cost and financial risks, brought in higher returns than achievable through the acquisition of comparable existing real estate assets. By working in tightly-knit, long-term joint ventures with premier local developers, Copley was able to maximize knowledge and contacts in those markets. These resources were seen to be essential in improving investment return through faster and easier approval processes, faster lease-up, and new leads to fuel future growth. Specialization in a few specific markets and in relatively small number of product classes allowed Copley to develop expertise in those markets and assets.

The development partner was the core element of Copley’s investment strategy. The company worked very hard to establish strong links to a region’s most successful developers, the majority of which entered into exclusive arrangements with Copley. O'Connor viewed the company’s relationships with its partners akin to a marriage, and sought in its partners the type of qualities one might look for in a spouse: honesty, integrity, a strong work ethic and somebody that they would want to live with for a long time. The partner’s knowledge of the local marketplace was vital.

Copley often found that there was not an overabundance of developers in a given market that could meet its expectations. Given the developer’s importance in delivering the investment product, Copley valued these relationships and they received a great deal of personal attention from O’Connor. The developer partner came to be viewed as Copley’s principal customer needing to be serviced.

Copley’s primary source of investment capital outside NEL was US pension funds, which through the 1980’s increased the proportion of equity real estate carried in their portfolios. The funds principal objectives were to provide greater asset diversification and to serve as what was perceived as being an inflation hedge coming out of the high inflation era of the 70’s and early 80’s. Loosened credit regulations, favorable tax treatment for income-producing property, a fast-growing labor force and the burgeoning economy that prevailed through much of the Reagan years created a booming development market and spiraling prices for the assets already owned and being developed.

As the value of the pension funds’ real estate assets increased, Copley did not have any difficulty finding money to finance new projects. As one of the early employees reflected, "When Copley got started ... it was slow for the first couple of years, but then
we caught the wave and everyone wanted to literally throw money at real estate.” One of Copley’s senior executives, who was not with the company during the 80’s, observed:

“Its strategy was a bull market strategy and it executed it perfectly. It was able to put out more money than anybody else on that strategy, because it had developed a very good distribution system to put the money out. And it was respected, broadly respected for that. And while it worked for 3, 4, 5 years in a row, it was #1 in returns, and the money came in over the transom.”

Assets under management had grown from 1982’s $1.3 billion to $15 billion by 1990. The full time employee count increased from the original 14 to 152 in the same time frame. Copley did not take equity position in the projects. Rather, Copley’s remuneration was generated from fee income, based on appraised values of the properties, either levered or unlevered. The leapfrogging fee income, resulting from the staggering, growth in the asset base, allowed the Copley principals and senior executives to be well compensated. Life was good.

THE BUSINESS ENVIRONMENT FROM 1990-1992

By 1990, however, the real estate environment had changed radically from the high water-mark of the 1980’s. The same easy money, aggressive building conditions which dominated much of the 80’s resulted in an enormous amount of over building in most markets and most sectors. The national economy endured one of its worst recessions since the 1930’s through much of 1991 to 1993. Beyond a normal economic cycle, basic structural changes in the economy were taking place. Companies downsized employment ranks by thousands to cut costs and improve productivity, rapidly improving computer technology allowed companies to do more with less people, just-in-time inventory systems allowed manufacturers and retailers to reduce warehousing requirements. Vacancy rates in major office markets across the country climbed over 20% and in some cities reached the 30% level. Effective rent levels tumbled. Savings & Loan failures brought billions of dollars of real estate to the market through government bodies, principally the Resolution Trust Corporation. Banks and insurers took back huge volumes of defaulted properties and repackaged these to an already flooded market. Traditional financing sources dried up and lenders often balked at financing renewals or drove down loan amounts.

These factors combined to significantly devalue real estate asset values across the country and Copley’s bull market strategy met with very hard times. A Copley senior executive recalled:

“When 1990 rolled around, we found ourselves flatfooted with probably three of the worst elements involved in a strategy - land, leverage and development. As a result, we probably had more than our share of problems to deal with. So we made the conscious decision in 1990 and 1991 to really focus on correcting the problem to the exclusion of going
out and finding new business. At that point in time there was enough revenue coming from our existing project base and our profit margins were such that we could afford to be out of the new business environment at that point while we corrected the problems with our portfolios. Everybody in the organization was focused on short term problem solving."

Another Copley executive estimated that industry asset values fell through the correction 30% to 60% “across the board”. As investors in Copley’s funds realized significantly reduced and sometimes negative returns, investors and lenders demanded more and more information. With Copley’s development partners suffering under their own staffing and financial difficulties, Copley struggled to respond to the investor’s new information requirements. In addition, investors began to demand greater control and liquidity over the assets. Some investors even decided to pull their money out of the funds. As a result, Copley sold $900 million of assets during 1993 and $800 million during 1992 alone. The company’s appraised asset base under management as of 1994 was down to $9.5 billion, which represented a reduction of more than one-third since 1990.

The reduced property appraisals resulted in an enormous reduction to Copley’s fee income. Yet while revenues declined, Copley’s expenses rose to meet the information demands of the investors. The company became inundated with questionnaires and requests for information from the investors and their consultants. Staff and additional computer equipment were added to try to deal with the load with the full-time employee count reaching 170 by 1993, further pressuring the company’s bottom line.

**THE BUSINESS ENVIRONMENT OF 1993**

Moving into 1993, most real estate markets across the country had bottomed out, and values had begun to stabilize. The one significant exception to that, particularly painful to Copley because of its significant investments in the region, was southern California. The recession in southern California lasted longer and reached deeper than the rest of the country, with its economy being hard hit by the impact of military spending cutbacks on the area’s defense contractors, base closings and associated layoffs. Investors in these funds were continuing to see their returns and property values “turn south”, whereas other advisory firms less sensitive to California and less leveraged were starting to see things turn around.

More significantly, however, the format of investment in real estate was moving in new directions. With traditional lenders forced out of the market and continuing to bail out of problem portfolios by regulatory and policy decisions, investors turned to the public market for refinancings, both debt and equity. Equity financings through publicly traded real estate investment trusts (REITs) became very popular. REITs offered two characteristics that responded to inherent shortcomings with Copley’s closed-end fund investment format: daily valuations through the stock market and instant low-cost liquidity. With the growing perception that market corrections had brought real estate values back to realistic levels through 1992 into early 1994, value-oriented investors began coming back to the market through the acquisition of single assets and portfolios,
often through securitized financing vehicles. Interest rates had fallen to historically low levels by the fall of 1993, and yields offered by securitized debt and equity instruments began to look attractive by comparison.

Copley was not in these securitization businesses, and their accessibility to the public markets was hampered by the fact that the company lacked one of the main ingredients sought by the public markets and Wall Street - strong information reporting and research functions. The gathering and reporting of property information had become a nightmare because individual developer partners were allowed to report information in their own formats, often on their own schedules and on a variety of systems. One senior executive commented that without a solid information and research effort, the company was "rudderless to examine itself".

COLEY ORGANIZATION: 1982-1993
During this period, Copley created and modified an organizational structure to successfully operate and excel in the business environment of the 1980's. The following discusses some of the noteworthy aspects of this system.

Corporate Culture (Skills)
Due to the speed at which the company grew and the number of development projects completed in the 1980's, a corporate culture developed at Copley surrounding "the deal". That corporate culture was clearly transaction oriented, focused on bringing in new money and putting together the next deal to put that money to work. The company became populated with people motivated by that culture, led from the top by Joe O'Connor himself. They referred to themselves as "deal junkies". Service to the investors was secondary, and while property values increased and returns were high, that did not cause a significant concern among the capital sources. In the words of one employee:

"You had a deal driven company that sold equity on a transactional basis - hop on a plane, get on the phone, do a deal kind of thing. Everything else, well, they're just details, we won't worry about those."

This corporate culture created a fast-paced, pressured working environment, with 80 to 90 hour weeks not untypical. However, stress from the workload had become such an issue to some that by 1990 the company began to encourage people to work fewer hours.

Family Atmosphere
A prevalent aspect of the corporate culture at Copley was a sense that the company was like a family, dominated by a paternalistic Joe O'Connor, the founding father. To quote one junior employee:

"Copley is very much a family-oriented environment. The people who work here are just generally nice people. They're fun and they're very smart people. You really could walk into anybody's office at anytime of
day and say ‘Could you help me out?’ or ‘Could you explain something to me?’ That’s always been the case and that still is the case.”

In reflecting on O’Connor’s role, the individual went on to say:

“Joe is very much the father of the family, meaning he cares very much about what happens to Copley and he cares about the people in the company, but he wants to make sure that this company is delivering everything they promised to the investors.”

Although people generally enjoyed the familial atmosphere at Copley, that feeling, for many, had diminished as the company grew. One employee elaborated on the perceived changes:

“When I first started working here... it was definitely a family. At that point the company was growing tremendously, and I think we lost the family atmosphere. I think that’s what Joe based his company on, and it was a good thing, and it was a good place to work, it was a good atmosphere, a good bunch of people. But I think we got too big in the early 90’s, and it became bureaucratic and political. The family atmosphere kind of got lost behind.”

Another individual commented:

“It was a nice place to work. People were generally nice to everybody. They helped everybody. They respected each other. I still see that to some degree, but not as much as when I first started. But people really cared about others, and about what it takes to get someone’s job done, and what they go through. Now its sort of ‘just get your job done, period.’ I see that some of the rewards, not necessarily monetary, have gone away. People were just so swamped that they didn’t have time to look out for anybody but themselves, just to get the work out the door. So I think that took away from the family. It became more selfish.”

One of the company’s senior executives offered qualified agreement:

“I think that once we got beyond 35-40 people, once we got over $4 - $5 billion in assets under management, it’s kind of tough to sustain that family atmosphere. That doesn’t mean you can’t have very important values and have a corporate culture that is very people supportive.”

As a result of this family orientation, Copley provided a security blanket or “cocoon” for many of the employees. Even though profits had been shrinking, “We kept jobs and there
was sort of a safety here that Copley was my cocoon.” One observer commented:

“This company had provided an element of economic, intellectual and emotional security. We tried to operate it as a family. We always tried to provide emotional stability, economic stability and all those things. But the real world does not provide those things.”

O'Connor As Chief
O'Connor was always a very strong leader and actively involved in every area of Copley. In 1982, Copley was a twelve person organization, and it was manageable for the CEO to be involved in all aspects of the company. Indeed, O'Connor said of Copley in its infancy: “If someone sneezed, eleven other people would yell ‘Gesundheit.’”

As the company grew, however, it was neither possible for Copley to remain as cohesive a group, nor for O’Connor to be effectively involved in the minutiae. According to one senior manager:

“It was very effective when you had a company of 10. But when you get up to a company of 170, it just promotes gridlock.”

When the market turned down in the early 1990’s and Copley was adversely affected, a senior manager commented on O’Connor’s reactionary passion for control:

“Joe was a control freak...Everything had to go through his office before it went out the door... Everyone was afraid to make decisions so they were running everything by Joe.”

Another senior manager commented:

“The company was like 150 people, all in a line with every one equal. Then there’s Joe, who’s like a blip that comes up in the middle. Joe in the late ‘80s was really ready to let people take on more responsibility. But then the market deteriorated, and O’Connor’s desire for control came out and he pulled back. If you started a business, and you saw it grow, I think it’s kind of an intuitive reaction. Clearly to grow and move forward, Joe had to change this instinct.”

Compensation System
Copley’s compensation system consisted of a base salary plus bonus structure. Lower level people had the potential to earn a bonus of 10% to 15% of their salary and higher level people could earn 40% to 50% of base. The payout of the bonus pools at the lower levels was based on individual performance and the higher end is based on corporate performance. In addition, the system included a 15% profit sharing payout based on
corporate performance measures. Profit sharing was available to everyone in the organization and everyone received the same payout, from top to bottom.

Throughout the 1980's, compensation was a point of contention for many people. A majority of the mid-level and junior managers believed their compensation was inferior in comparison to comparable positions at other firms.

In 1991 and 1992, salary increases were frozen resulting from the combination of continued pressure on the bottom line and the absence of new business prospects. As a result of Copley's shrinking asset base, opportunity for advancement was limited. Compensation packages for the most senior executives was down to 1/5 to 1/4 of what they had been earning in the 80's.

**And Then Depression Set In**

For reasons other than money alone, the mood in the office by 1990 had changed significantly from the boom period of the 1980's. O'Connor observed:

"When all you're dealing with is bad news and problems, a fifty hour week is an awfully long week. When you're dealing with great things, new things, new products and services, growth, 90 hours is a very short week."

A senior executive commented on the period:

"We've been through ... four years of fighting fires, trying to keep the investors at bay... It's been close to a bunker mentality over the past four years."

A junior level employee reflected on the mood during this period:

"Real estate markets were really bad. People were very depressed around here. I think often times its very hard for people to separate their personal lives from their work. A lot of people take tenants going bankrupt and all that stuff personally and bring it home with them. So it depressed a lot of people."

**Structure**

The company was structured along functional lines. The following list identifies the ten (10) divisions:
Figure 2: Old Company Functions

<table>
<thead>
<tr>
<th>Division</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Products &amp; Services</td>
<td>Generating new business lines</td>
</tr>
<tr>
<td>Portfolio Management</td>
<td>Managing the portfolios</td>
</tr>
<tr>
<td>Asset Management</td>
<td>Managing the real estate assets</td>
</tr>
<tr>
<td>Management Information Systems</td>
<td>Computer services and data processing</td>
</tr>
<tr>
<td>Administration</td>
<td>General administrative duties</td>
</tr>
<tr>
<td>Client Relations</td>
<td>Servicing the client</td>
</tr>
<tr>
<td>Accounting/Finance</td>
<td>General internal finance functions</td>
</tr>
<tr>
<td>Legal</td>
<td>Performed all legal services for Copley</td>
</tr>
<tr>
<td>Production</td>
<td>Deal makers - joint venture origination</td>
</tr>
<tr>
<td>Asset Sales</td>
<td>Disposition of assets</td>
</tr>
</tbody>
</table>

The organizational chart, found in Appendix A, represents the company’s organizational hierarchy of June, 1993. This chart clearly illustrates the multi-level, hierarchical structure of Copley. At that time, the company had eight titles in its hierarchy: President, Chief Operating Officer, Chief Investment Officer, Managing Director, Vice President, Senior Manager, Manager and Associate. These titles provided both a reporting structure within the various functional groups and a clear avenue for promotion and growth within the company. The following table identifies the number of people with various titles:

<table>
<thead>
<tr>
<th>Title</th>
<th>Number Of People</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>1</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>1</td>
</tr>
<tr>
<td>Chief Investment Officer</td>
<td>1</td>
</tr>
<tr>
<td>Managing Director</td>
<td>10</td>
</tr>
<tr>
<td>Vice President</td>
<td>20</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>28</td>
</tr>
<tr>
<td>Managers</td>
<td>29</td>
</tr>
<tr>
<td>Associates</td>
<td>78</td>
</tr>
</tbody>
</table>

The following table reflects the number of people assigned to the major functions:

<table>
<thead>
<tr>
<th>Function</th>
<th>Number of People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management</td>
<td>42</td>
</tr>
<tr>
<td>Accounting/Finance</td>
<td>40</td>
</tr>
<tr>
<td>Portfolio Management</td>
<td>23</td>
</tr>
<tr>
<td>Management/Administration</td>
<td>23</td>
</tr>
<tr>
<td>Legal</td>
<td>11</td>
</tr>
<tr>
<td>Client Relations</td>
<td>9</td>
</tr>
<tr>
<td>Asset Sales</td>
<td>7</td>
</tr>
<tr>
<td>Production</td>
<td>6</td>
</tr>
<tr>
<td>New Product and Services</td>
<td>1</td>
</tr>
</tbody>
</table>
The hierarchical structure reinforced the autocratic character of a company often described in the following terms: “O’Connor was Copley, Copley was O’Connor.” Starting with O’Connor as the head, the company was managed from the top down. Subordinates were expected to carry out and comply with the directives of the leader - Joe O’Connor.

The company was headed by an Executive Committee, consisting of four of the original principals: O’Connor, the President and CEO, who had the corporate functions of administration, accounting/finance, legal and client relations reporting to him; Dan Coughlin, Chief Operating Officer, responsible for portfolio and asset management and management information systems; Kevin Mahoney, Chief Investment Officer, responsible for new development (referred to as “production”) and asset sales and Steve Anthony, Managing Director. The Executive Committee made all investment and major policy decisions.

**Roles In The Functional Organization**
This functional hierarchy created segmentation in which each group placed its own self-interest first. Reporting structures, performance evaluations and reward systems were based on performance within the functional areas. As a result, information was not shared effectively between the groups. Some groups relied on other groups for information as input into their own reporting or decision making. Inevitably, delays in the processing of reports or information from one group to another would create logjams.

**Decision Making Process**
This problem was exacerbated by the Company’s lengthy and confusing decision making processes. As the market turned, the Executive Committee, especially Joe O’Connor, wanted to maintain final decision-making authority on most matters. As a result, many decisions were routed upward. One employee observed that O’Connor created the impression of wanting “to see everything, down to the color of the carpet”. Recognizing that he could not control and did not want to take part in all the decisions of the company, O’Connor attempted to keep the less important memos, meetings and decision making out of his office. However, this cycle was firmly entrenched. People continued to keep him involved.

**Task Oriented/Functional Organization**
The company’s quarterly appraisal process, required to be completed for all of the properties under management, provided a good illustration of the way tasks were completed. Property operating and market information came in from the development partner managing the project. The asset manager compiled and analyzed the information and made a first attempt at estimating property value. The asset manager’s work would go to his supervisor and, once approved, would then go to Production for its sign-off. From Production, the valuation would then be forwarded to Portfolio Management, which would have to sign-off. This process could occur several times before it reached Executive Committee. Finally the Executive Committee would review the valuations and could override what had made its way throughout the chain. One senior executive
commented: “So who owns the process? You could take almost any day to day functional task in the old organization and, if you mapped it out, you would be horrified.”

These impediments within the corporate structure became widely recognized as being a serious problem to the effectiveness of the organization, and people began to openly talk about the “gridlock” in the system. One junior employee spoke to the problem:

“It was very difficult to get anything done or approved because there were so many delays in this company. If you wrote any type of report it would go through five people who all have different styles of writing and different thoughts on where real estate is going. So you would get it back, you would make one revision, and then after you had revised it, then somebody else would say ‘I don’t like what you just wrote, change it again.’”

Information Technology (Management Information Systems)

Since the investor’s were happy with the returns achieved by Copley’s funds in the 1980’s, there was neither an internal nor external need for a sophisticated information or research system. Without such a need or pressure to create one, Copley’s information systems were relatively simple and focused on converting the development partner’s project statements to Copley’s own reporting format for presentation to the investors. Most of the information collected and assimilated by Copley was project oriented. Although some computer systems were used, the data conversion and other reports were typically generated by hand resulting in a very time consuming process. As reporting pressures mounted, human error in the generation of these reports became of increasing concern.

PRELUDE TO CHANGE

From 1988-1992, the decision had been taken to commit the company’s primary resources to problem-solving and workouts within the existing portfolios. Although focused on putting-out fires, Copley initiated several half-hearted efforts at new business initiatives. Every 18 to 24 months, O’Connor would gather the senior management team for several days at off-site retreats to discuss current issues and long-range corporate planning. Sessions at these retreats would include discussions surrounding new business opportunities. Mandates would be given to senior executives to explore new initiatives and they would return from the retreat both charged up to pursue these and eager to find ways to turn the business around.

However, none of these initiatives were put into action. Copley’s last new piece of business dated back to the initial fund closing of their CIIF II fund in August, 1988. One of the senior executives who had been asked to investigate new initiatives, indicated that “in a perverse way, these new initiatives were almost predestined to fail.” The failure resulted from a combination of factors: lack of investor interest to invest in a devaluing real estate market; executives forced to spend their energy on time consuming problems and not new business initiatives; and an investment strategy that was rapidly becoming
outdated. As Coughlin recalled, “many of us felt that the company was not equipped to respond to changing opportunities” in the market.

The break-down was seen by many in the company to have been a result of the functional hierarchy and, during this time, the inward focus of the organization. While mini-task forces were established to study a potential initiative, neither individuals nor any task force were awarded a clear mandate across functional lines with authority to command people’s time and attention. Since the priorities and the reward system focused on putting out fires, little was effectively accomplished. One senior executive said that “whenever you had to cross functional lines, you were lost because you had lost control of the ability to manage a project.”

The company had difficulty coming to terms with the shift in the market away from a formerly successful business strategy. Whereas the new business opportunities for Copley consistently appeared to be in alternative directions, the ultimate commitment was not made to break away from Copley’s core business. Copley considered the core business to be their “franchise value”. They considered this “franchise value” to be the value offered investors through its unique investment strategy. One senior executive elaborated on the dilemma:

“We were worried about the image that would be sent to the marketplace. What happens if you take the corners off your franchise and round them off to accommodate different investment product types and initiatives. We would have then become something less distinguished in the investment community’s eyes and it would be less clear to people as to what Copley was. That was the debate and it went on for years.”

Rather than leading to productive results, the attempts to investigate new businesses and ensuing failure only increased frustration levels at the company. Reports would be produced, reviewed and then shelved. Committees would drag on and never seem to end. As O’Connor and Coughlin commented: “Some meetings and task forces were dubbed ‘Sputnicks’. They were put up without anybody knowing how to get them back down.” One person commented, perhaps exaggerating: “One of the things that developed was a very strong visceral emotional reaction to hearing the term ‘task force.’ ” A sense of skepticism developed throughout the company that task forces would never lead to concrete changes. This perception further complicated the ability to receive cooperation from the various functional groups.

**CHANGE PROCESS OF 1993**

By Fall 1992, O’Connor’s frustration with Copley’s stagnation was reaching a critical stage. Opening a meeting with the Executive Committee, he made a strong statement: “All four of us should be fired. We’re not doing the job. We’re not running this company right.”
To address the immediate need of new business generation, O'Connor brought in Steve Wheeler, previously of John Hancock Realty and Morgan Stanley Realty, on a consulting basis in April, 1993. O'Connor told Wheeler, “Steve, I need someone in here to be the catalyst for saying things need to change, things need to be done differently.” Wheeler was hired full-time in August, 1993 as the Managing Director of Securitization. Coming from outside the company and with a Wall Street background, Wheeler provided a new set of skills and competencies. Because of his fresh perspective, Wheeler was described as an “agent of change” by O'Connor and Coughlin.

Around the same time as Wheeler’s full-time appointment, Copley hired T.A.B. Associates (T.A.B). T.A.B. was a management consulting firm specializing in business analyses, process improvements and organizational change. T.A.B. was hired to advise Copley on organizational change and guide Copley through the change process. Rather than analyzing the processes and systems of the company in a theoretical context, or in the words of one employee, “in the ether”, T.A.B.’s approach was to analyze employees actual interaction and performance of their functions at Copley.

T.A.B. was able to provide a unique perspective often employed by O'Connor. He found such a perspective “to be very helpful in the change process.” Throughout the process, O’Connor utilized T.A.B. as a “sounding board” when shaping his vision and facilitating the change process.

Two groups were formed to work with T.A.B. in analyzing several processes within the company: the Asset Management test group and the Business Plan test group. The groups began by physically mapping out on a wall the precise manner in which these jobs were performed. These were referred to as process maps. One of the group’s senior manager commented:

“Some process maps looked like a bowl of spaghetti. It was pretty obvious that there was gridlock in the company because a lot of things were flowing up to senior management - Joe O’Connor in particular. In many cases, these were things he did not want to see. We started to relook at the process. We felt we could change some things.”

O’Connor provided his own thoughts on the gridlock revealed by the process mapping:

“When you took a look at one little box and you found out how complicated it was, how many loop backs and redundant decisions there were, we said, ‘This ain’t working the way it should be. Somehow we’ve got to change it.’ ”
A member of the Asset Management team recalled her reaction upon viewing the process map for the first time:

"You realized how screwed up the process was. So after being involved in that, it opened up a lot of people’s eyes. We said, ‘What are we doing here? Why are there so may delays in getting a real estate valuation from asset management up a flight of stairs to a corner office so somebody can sign off on it?’"

While these groups were identifying areas that needed to be changed within the company, O’Connor was busy analyzing the company on a macro level. He compiled a list of 14 critical assumptions describing the real estate environment of both today and the foreseeable future. A partial list reflecting several of these assumptions is provided below. O’Connor considered this partial list to be the most critical and the most applicable to Copley. A complete list is provided in Appendix B.

1. “Investors are customers and developer partners are suppliers.
2. Investors will demand more attention, servicing, control and autonomy.
3. Our core and non-core partners are changing. They are growing older, less wealthy, less entrepreneurial and less willing to take risks. Many of the larger partners have redefined their role from development and entrepreneurial organizations to that of management/service organizations.
4. Securitization is rapidly changing and here to stay.
5. Copley has a set of unique people, skills and relationships that give us a strong competitive edge in a narrow segment of the market.”

From this list of assumptions, O’Connor identified three specific objectives for Copley to achieve in order to successfully operate in the future:

1. Form a new business group that is forward looking.
2. Redefine the role of Copley’s partners, and have them understand that role.
3. Acquire the skills to enter into the securitized market.

In order to achieve these objectives, O’Connor recognized the need to redefine Copley’s customer. The developer partners became the supplier and the pension funds became the customer. In the 1980’s, quality developers were scarce, while sources of capital were in abundant supply. In the 1990’s, these roles completely reversed. O’Connor summarized this reversal in the following, “Our clients are our money providers, our pension funds, our investors.”

These dramatic objectives were to be initiated in a company environment that O’Connor characterized as one “that was finding it harder to make decisions rather than easier” and “that did not have unlimited resources anymore.”
He then identified the following steps as a means to achieve those objectives:

1. “Promote significant internal efficiencies which will provide faster, better decision making and improved customer service.
2. Use these efficiencies to provide significant additional resources for increased emphasis and investment in New Products and Services, and Information and Research.
3. Foster a new spirit and dedication to moving the company forward to take advantage of market opportunities.”

Upon completing his evaluation, O'Connor consulted TAB regarding the most appropriate and effective manner to deliver his perceptions and objectives to the employees. T.A.B.’s suggestion was for O'Connor to present his thoughts to a core group of Copley employees and let them “digest and draw their own conclusions rather than parachute in the conclusions.” O’Connor assembled 18 members of Senior Management at an off-site meeting on October 12, 1993 to deliver his message. Within Copley, Senior Managers were considered to be anyone with a title of Vice President or higher. T.A.B. was in attendance at this meeting to both design the workshop and act as facilitators. O’Connor told the assembled group: “It’s time to change. If we don’t change, I don’t think I want to run this company. I don’t think I want to be around.”

Coughlin recalled O’Connor’s message to the people in attendance:

“Joe broadly broke the world down to two decades, the 1980’s and the 1990’s. He said, ‘this is what the 1980’s looked like and this is what the 1990’s look like. I have to tell you, we are a 1980’s company. We are not a 1990’s company. I want to take this company into the 1990’s in a big way. Before I can do that I need a commitment from you. Are you with me? Are you willing to go through what will be a painful process in change? If you are not with me or disagree with what I am doing, this is the time to speak up or forever hold your piece.’”

To stress the dire position of the company should Copley not enact dramatic changes, O’Connor told those in attendance, “I don’t see half of you being here in four months...” Then, he gave the group 24 hours to voice their own thoughts and observations on the need for change at Copley and to discuss their vision of the future. O’Connor then left the room to allow everyone to speak freely.

After O’Connor left, the group then engaged in a brainstorming session described as a “group grope” by one participant. The discussion first centered on whether they agreed with O’Connor’s perception of the real estate market. Conversations then arose on a myriad of topics and a number of questions were raised. One topic focused on the group’s desire to work in a markedly different organization than that to which they were accustomed. Some people questioned if they would have the qualifications to remain with the firm. Others discussed if change were to occur, where would it occur - at the top
or the bottom? Yet another debated the breadth and depth of change: "Does change question every aspect of the company, or can just a few issues be examined?"

Other issues arose regarding the vision and values of Copley. What were they? What did people want them to be? What was Copley?

In these early stages of the change process, two primary teams were formed:

1. The Delta Group
2. Organizational Action Team

These groups will be discussed below.

The Delta Group (Delta)
At the suggestion of T.A.B., the group elected five people to both examine the role and responsibilities of a Chief Executive Officer ("CEO") for the company and determine a CEO's level of involvement in this review process. In addition, the group was to further discuss and shape answers to questions on Copley's vision and values. This elected group of five people became known as The Delta Group.

The next day O'Connor returned to the group and was informed of the results. Delta invited O'Connor to become a member of Delta. In addition, O'Connor asked Jack Phillips, Managing Director of Client Relations, to become a member of the team and to act as a facilitator in future Delta meetings. Delta believed Phillips had the proper level of experience and authority to manage the Delta team members.

In order to generate diverse opinions, the group in attendance at the meeting requested both Delta and O'Connor to independently prepare reviews of the CEO’s role and responsibilities.

Delta’s review concluded the CEO should be involved in such issues as corporate strategy, managing the relationship with the parent company and assisting with new business initiatives and administrative duties. With the exception of managing significant relationships such as Copley’s largest lender, Wells Fargo Bank, the CEO should not be involved in the existing asset base. Delta also determined the CEO should not be involved in the hiring and firing of employees unless those employees reported directly to his office.

Although similar in almost all respects to Delta’s report, O’Connor’s report, however, revealed a fundamental misunderstanding in the definition of the CEO’s role. Although O’Connor agreed with those responsibilities Delta identified as outside the CEO’s domain, he contended that those responsibilities had not been his for quite some time. In addition, he had delegated many of those tasks to subordinates. In practice, however, employees used O’Connor as an excuse when forced to make difficult decisions, claiming that the responsibility was not theirs, but O’Connor’s. Utilizing the two reviews as the
framework, Delta and O’Connor jointly agreed on O’Connor retaining the position as CEO in the role and with the responsibilities agreed upon in the reports.

The misunderstanding revealed in the reports prompted Delta to further evaluate the organization. Delta wanted to expand their review to include the roles, responsibilities and characteristics required of the leadership beyond the position of CEO. However, the Delta team believed even this expanded review was still not broad enough. One Delta team member recalled the impression shared by members of Delta Team:

“We’re bumping up against something big here. It’s not just the leadership of the company. It’s what the company should look like, what it should be, and we think that we need to expand the scope of review. It may not be Delta Group, but somebody ought to be taking Copley through more analysis.”

According to one Senior Manager, hard feelings developed among the fourteen Senior Managers not invited to attend the October 12th meeting. In order to build a broad consensus, the need was recognized for all thirty-two Senior Managers to become involved and committed to this review and imminent changes. To build a consensus, Delta reported its findings to all the Senior Management and requested their commitment and agreement to proceed. Senior Management agreed that Copley should move forward on a full scale review as recommended by Delta. In addition, Delta was awarded responsibility to initiate the comprehensive review. From Delta’s review, the change process was initially identified, structured and implemented.

Establishment of Other Groups
Once the decision was made for Delta to review other aspects of the company, Delta determined it had neither the time nor the expertise needed to handle the change process by itself. After all, Delta was comprised of “Deal Junkies”, not “managers.” Further, Delta members realized the process would require an incredible amount of time on top of each members already busy schedules. One Delta member recounted that it was a 100% commitment in addition to having a full time job. Therefore, Delta decided to create other groups to complete the evaluation of the company. Each new group had narrowly defined objectives and reported back to Delta. In this capacity, Delta acted as a “holding company” which steered and guided the other groups through the process. It also was the reporting body back to Senior Management. As opposed to the endless task forces and committees of previous years, these groups were established with a finite life and were disbanded upon achieving their objectives.

Delta selected all the members of the new groups. In these selections, Delta tried to incorporate relevant areas of the company and to choose individuals who would make positive contributions. Once an employee was selected, his or her participation was mandatory. One member of several teams said, “You just couldn’t sit and attend the meeting. You had to be an active participating member.”
Each of the new groups included at least one member of Delta. That person would act as the conduit between the two groups. Each group produced mission statements and issued in depth reports on their findings.

Organizational Action Team (OAT)
Formed on October 29, 1993, Organizational Action Team (OAT) was the first group formed by Delta. OAT’s mission statement was to “deliver a recommendation for a new organizational structure, including skills, roles, and responsibilities for the major processes, and make a recommendation that will be consistent with Copley’s Vision, Values and Strategy.”

Processes was the key component of the mission statement for OAT. Previously, Copley had been organized along functional lines. These functions were defined as specific tasks performed by individuals to complete the general business objective. Examples of functions were Portfolio Management, Asset Management, Management Information Systems, and Accounting/Finance. In contrast, an organization built around processes focused on specific operations. A fund or a particular business initiative driven by teams are examples of organizing around processes. In a process, the teams are created and operated only for the life of the process. The teams and that particular process then are disbanded upon the expiration of the fund or the failure of the business initiative.

OAT consisted of six people, all members of Senior Management. It was charged with five key obligations, which Copley referred to as “Deliverables”:

1. Recommendation of a new organizational structure and supporting rationale.
2. Roles and responsibilities for the major future processes.
3. Core competencies and skill sets for owners of major future processes.
4. A process for determining how to select the owners of the major future processes.
5. A transition plan to describe the process for getting to the new organizational structure.

OAT determined Copley should be organized into four “blocks” consisting of the major processes: Corporate Management, Investment and Management Services, Information and Research, and New Business. They also determined that these blocks should be headed by one person, referred to as a “Blockhead” or a “Process Owner” and that the blocks should consist of teams, headed by Team Leaders. OAT only chose the structure, it did not choose the individuals that would fill the structure. (Each of the four blocks and their roles are explained in detail later in this case.)

The demands of OAT were even more time-consuming than Delta. A member of Delta attributed this to the dense set of issues OAT was asked to consider. OAT included two members of Delta, one of which was a member of the Executive Committee and a charter
member of Copley. Involvement of such high level managers reflected the company’s commitment to the change process.

Strategy Team (ST)
Formed at the beginning of November, 1993, The Strategy Team (ST) was the second group formed by Delta. Determining Copley’s new business strategy was a key component to fulfilling OAT’s mission. However, OAT quickly realized that the task was too large and too complex for the OAT members to address in light of their hefty agenda and traditional business responsibilities. OAT asked Delta for help. In response, Delta created and assigned members to ST. ST consisted exclusively of six members of Senior Management. Of the six members, two were also Delta members and O’Connor.

ST’s Mission Statement read as follows: “This team is to report to the Delta Group with a proposed Copley Corporate Strategy, consistent with the Visions and Values (as they change) articulated by the Senior Management.” ST first wrote the new Copley strategy:

“Copley offers a diversified array of real estate products and services in the most profitable segments of the market which meet its client’s changing investment needs. The products and services are built on our strengths and provide Copley with incentives that are closely coupled with its client’s interests.”

ST then outlined Copley’s strengths and weaknesses, described the real estate environment in terms of Customer Perspective, Capital/Real estate Markets, Demographics and Globalization, identified potential future clients, outlined services that could be provided to those clients, and developed short, intermediate and long term product initiatives. ST accomplished this dense agenda in a short period of time was disbanded within three weeks of its creation.

As a result, its team members logged many hours. One member, who was also involved with Delta, estimated that the two teams combined exacted about 90 hours per week from his schedule.

Gridlock Team (GT)
The Gridlock Team (GT) was also formed in early November, 1993. Delta determined there existed issues needing immediate attention. GT consisted of eight members and was the only team reporting to Delta that included members below the level of Senior Management.

GT’s mission statement was “To identify and make recommendations for the implementation of simple, quick, measurable solutions to decision making and administrative ‘gridlock’ in Copley; and in doing so, identify some of the larger issues
that must be fixed.” It had three goals to accomplish:

1. Identify approximately 10 simple fixes that can be implemented quickly which will save time and resources as well as reduce the time that is required to get key decisions made.
2. Identify major hard-to-fix issues that affect organizational gridlock and prioritize in order of importance.
3. Identify a list of major cultural issues which create gridlock.

GT first interviewed Copley employees to gain a better understanding of what was meant by “gridlock”. They found five categories of gridlock, which are listed below with an accompanying quote:

1. Authority of decision making was unclear and not widely distributed.
   “I don’t have the power or know who does.”
2. Priorities were not identified or communicated well, and changed frequently.
   “I don’t have clear consistent direction on what is important.”
3. Resources were not allocated appropriately, and professional staff was overextended.
   “I can’t do a good job on ten things at once.”
4. Internal support systems were insufficient.
   “I don’t have the tools.”
5. Cultural norms impeded efficiency.
   “I am distracted by unnecessary paper shuffling and politics.”

To address its first goal of identifying quick fixes, GT categorized issues using the acronym SCRAP-M: Staffing, Communication, Reports, Approvals, Procedures and Meetings. It then identified aspects within these categories that had a high payoff, yet were easy to fix. Each issue identified was addressed by creating a defining Problem Statement, a recommendation, and an action plan, which included the personnel assigned to the task, a deadline and the anticipated impact.

GT conducted a similar analysis to address its second goal of identifying hard to fix issues. GT created three “levels” of high priority: Certain Death issues, which needed to be addressed immediately; Must Solve Within Six Months issues, which were not immediately life-threatening, but needed to be addressed shortly; and Serious Consideration issues, which needed to be addressed as necessary. GT identified five issues that fell in the first category, two in the second category, and three in the third category. A summary statement was written to describe each issue. These were then forwarded to Delta and OAT to address and incorporate within their process and structural design.

To address the third goal of identifying major cultural issues which created gridlock, GT identified thirteen values needing improvement in order to reduce gridlock. Each value had one or two “catch phrases” associated with it to help better define its context.
Gridlock then created a matrix determining the interrelationships between the hard to achieve gridlock issues on one axis and the cultural issues on the other axis.

Like ST, GT completed much work in a short period of time. It was disbanded at the end of November, 1993.

Vision & Values Team (VV)
In mid November, 1993, the Vision & Values Team (VV) was created by Delta to further refine Delta’s review of Copley’s new vision and values statements. The vision and value statements created by this group appear in Appendix C. The VV team also existed for only a brief period of time and was disbanded in mid December, 1993.

Core Business Selection Group (CBSG)
Formed in late November, 1993, the Core Business Selection Group (CBSG) was created by Delta to select the personnel for the positions in OAT’s new organizational structure for Copley. The selection primarily entailed choosing people as Blockheads and Team Leaders. CBSG evaluated the skill sets and the capabilities of Senior Management to determine the individuals best-suited for the available positions. As a point of fact, CBSG chose three of its four members to become Blockheads. CBSG was disbanded in the third week of December, 1993 upon completion of its assignment.

The Unveiling
On December 21, 1993, the entire company attended a Quarterly Staff Meeting. At this meeting, the new corporate structure, Blockheads and Team Leaders were announced and presented to the company. Two days after this meeting Delta and OAT were both disbanded now that their assignments had been completed. However, Delta’s last official act was to create a new group called the Transition Team.

The Transition Team (TT)
The Transition Team (Transition) was empowered to pursue and implement the organizational structure formulated by OAT. In order to accomplish this, TT had to coordinate the movement of personnel and structure the “old” Copley to the “new” Copley. Meeting for the first time on January 4, 1994, TT consisted of nine team members. All but one of the members were from Senior Management and four members were Blockheads.

Since Delta was no longer in existence, TT operated without any further guidance. This created problems. The other teams benefited not only from a strict reporting process back to Delta, but also from narrowly defined goals and agendas. According to one member of TT, the group never “got its act together” and never seemed to have a strong, focused effort. Another team member commented: “I think we had people coming to the party who were hung-over from the last party”. The participants were “too tired, too immersed” in the change process. The members of TT felt conflicting pressure to hurry the process along to maintain the corporate-wide support, while, at the same time, to proceed slowly in order to be thorough.
Although the plans for the transition had been completed since March, 1994, TT was still meeting as of late April, 1994. Because of the difficulty in setting a specific date to mark the official end of transitioning, TT was still in existence as a source of guidance to people even after the official date of transition.

Like the other teams, Transition required a huge time commitment from its members. One member estimated that it alone accounted for up to 50 hours per week of his time.

**Hands-UP**

After OAT had identified the structure and CBSG had identified the Blockheads and Team Leaders, the next step was to match the unassigned people with the available positions on the teams and other areas of the company. This process was called “Hands-Up”. Pamela Herbst conducted an assessment of the unassigned personnel in the company. Each person was evaluated by subordinates, superiors and peers to determine his or her skill set. A file for each person was created consisting of the evaluations, past reviews, resumes, past performance and skill assessment forms. The files were compiled by January 31, 1994.

During this period, the Blockheads and Team leaders completed their budgets and personnel requirements for each block and team. Once the allocation of jobs in each of the blocks and teams were determined, the unassigned personnel reviewed a list of the available positions and required skill sets within each Block and Team. A job fare was organized to provide people with more information on both the available positions and the teams. At the job fare, the Team Leaders distributed information packages on their respective teams and goals.

On February 10, 1994, each employee submitted to Herbst a list, ranked in order of preference, of their top five choices. After sorting the applicants by Blocks, Herbst generated a list of employees applying for each position within a Block or Team.

Beginning February 17th, each Team Leader reviewed the files of personnel applying for a position within their Team or Block. The Team Leaders then selected people to fill the open positions. In the event two or more Team Leaders chose the same person to be within their team, then that person would be assigned to the position ranked higher on his/her list of preferences.

The selection process was completed over a two week period and the new teams were announced on March 1st. According to a member of Senior Management, the selection process was “Fairly painless and worked out very well. I would say 80% of the people got their first or second choice of job.” In summarizing the entire “Hands Up” process, another Senior Manager said, “The amazing thing is as soon as we announced the changes, the whole climate in the company changed immediately people had a renewed sense of security”.

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Only a few persons were not reassigned upon the completion of the “Hands-Up” process. The majority of these positions were in the legal department. However, every person in the legal department received an offer from of employment from the law firm newly designated to handle Copley’s future legal work. In the restructured organization, all legal functions were to be out-sourced. However, nineteen (19) new jobs, mostly requiring new skill sets, were created as a result of the reorganization.

Information Transfer
During the period between late March and mid April, employees transitioned from old to new positions. Because the focus of the organization had shifted from the asset to the fund, skills and knowledge were not directly transferable. For instance, an employee may have been an expert on industrial properties in the Southwest in the old organization, but those properties may have been in several different funds. That person became responsible for educating the newly created teams on those assets and the specific markets. Likewise, that person was required to learn as much as possible about their own team’s properties and specific markets. Those assets could be located in several markets around the country. Any or all of which could be foreign to the employee. Since they all relied on each other to be brought up to speed, this process required the significant effort and cooperation of all employees.

Office Layout
To create a more efficient working environment and to promote team efficiencies, Copley reoriented the office layout to allow team members to be physically located in close proximity to one another. The move took place over April 16-18, 1994.

“Broke The China”
The change process required the review and questioning of all the old structures, values and focuses for modification or deletion. This review was painful for those who contributed to the evolution of Copley over the years. The senior managers of Copley were proud of the entity that had been created from their work and effort. Now this entity was considered inefficient and outdated. As one individual observed:

“We took a lot of things we thought were sacrosanct and broke the china. We took all the rules we were living by and examined them and reexamined them. We came to the conclusion some were right and some were not right. I spent most of my business career here. It was taking some of the things I was a contributor to and say they were wrong. It takes a high degree of self-assessment and say its wrong and not feel like I have been a total failure. You need to get past the personal and realize it may have been right at a given point in time. Maybe it was right in the 1980’s to do things in this way. But the market has changed and you can’t hold onto it just out of a proprietary sense.”
Fear Of The Unknown
Everyone was concerned about the effects of the change process and company realignment on their futures and positions. One senior manager offered: “You could walk along and feel the tension, literally feel the tension.” A Team Member commented: “One thing I don't think they took into account was the human emotion side of it. These were major changes in someone’s life.” Another senior manager commented:

“I just have a really hard time putting people through uncertainty. The uncertainty is tough. Especially when it is permeating throughout the entire company - even star performers. I don’t know if there is a right or wrong way...I think the intent was admirable. I just don’t know if I would have done it that way.”

To avoid this uncertainty, one individual thought an alternative approach to the change process would have been...

“...to do it really quietly. I honestly think you are better off to have a small group of people, swear them to confidentiality...and quickly figure it out...Rather than drag it out. Two months may not seem like a long time, but, to a lot of people, it seemed like an eternity.”

THE NEW ORGANIZATION:
STRUCTURE:
The new organization was structured pursuant to external and internal goals. The overriding external goal was defined as “meeting the needs of our customers.” The internal goal was to at least maintain the existing level of business, but expand revenue through new business efforts. To best achieve these goals, the organization was structured along process lines as opposed to the previous functional lines. The new organization was divided into four processes, referred to as blocks:

1. Investment Management & Services
2. New Business
3. Information & Research
4. Corporate Management

The new organizational structure is provided in Appendix D. Each block was headed by an individual referred to as a “Blockhead” or “Process Owner” with responsibility for the implementation of the process within the block. The blocks consisted of teams with a Team Leader and Team Members. Each team was organized around a particular process such as a fund or a business initiative. The teams provided the basic working unit within each block. The teams were directed by Team Leaders who established strategy and direction for their respective teams. Each team member contributed a unique skill set or knowledge to the team.
Investment Management & Services
Investment Management & Services housed the existing Copley portfolio and consisted of the former functions of Asset Management and Portfolio Management. In Copley’s former alignment, the company was organized around geographic regions, in order to service the development partner. With Copley’s customer realignment around the capital source or investor, teams were set up around each of the funds. For instance, one team name was Developmental Properties Account (DPA), while another was Copley Institutional Investment Fund (CIIF). Each team was responsible for its own asset management, portfolio management, accounting, property sales and client relations. This block was by far the largest with over 100 employees and, as of April, 1994, was the only block bringing revenue into the company through asset management fees.

New Business
New Business was a newly created unit with the directive of generating fresh revenue sources for the firm through new investment vehicles or investor services. Steve Wheeler was named to lead this group. As an indication of the perceived importance of New Business to the future viability of the company, this group was slated to contain 25 members. Of this number, 17 employees were reassigned from other areas of the company. The remaining 8 members of this unit were to be new hires.

Teams in New Business were organized around the business initiatives. This created two qualities that were unique to the teams in this unit. One, they were much more ephemeral than the teams in other blocks. Upon completion of a transaction, they were to be disbanded. Second, Team Members worked on more than one team at any given time. For instance, Wheeler, in addition to being the Blockhead, was also a Team Leader on a specific initiative.

New Business was already making progress even before the transition was complete. Although it had not yet completed any transactions, this unit was working on ten potential initiatives as of April, 1994. Wheeler estimated that it would take approximately 60 to 90 days to create product relating to the existing portfolios, while “green field” projects would take six months or longer.

There was an entrepreneurial spirit among the group’s members. One member of the block commented:

“New Business is all about coming up with new ideas. It’s taking an idea and running it through the entire process: can we get it done, does it make money, what does it involve, do we have the personnel, are we qualified to do it? It’s an evolving role, too. Where we are today, we may not be in six months. It allows you to come up with different ideas, new businesses, things that we haven’t been involved in before. It could be mortgaged-backed securities, it could be REITs...”
Information & Research

The Management Information Systems, one of the ten functions in the old organizational structure, was expanded and elevated within the new organizational structural to form one of the four main business units - the Information & Research block. The group became responsible for the processing and dissemination of information of all kinds, both internally and externally. Through systems established by this group, Copley hoped to increase their capacity to generate various types of research ranging from regional real estate markets and regional economies to real estate related capital markets. The expanded and more accessible data base would be utilized to facilitate investment decisions, create new products and provide better information as a service to clients.

Copley recognized the growing demand for information by real estate owners, lenders, potential investors and other industry players. In the future, these entities would demand and expect concrete information on markets and economies.

With information becoming of increasing importance to the company, its clients, and the industry as a whole, this unit became a critical component of the business going forward. This group was the result of Copley’s conscious decision to make the collection, analysis and delivery of information and research a major building block of the company’s overall strategy. As a further indication of Copley’s commitment to Information and Research, this block was staffed with 15 people.

The creation of the Information & Research block was widely viewed within the company as a significant competitive advantage to Copley. Phillips recalled the formulation of the concept:

“Senior management knew that we had a lot of pockets of information that did not talk to each other. And so we ultimately concluded that, just for survival’s sake, we really had to make information technology and research - and research wasn’t there in the beginning, but it got added in because we felt the two as being very integral - into a core competency and then we said, ‘Well, why not make it a competitive advantage?’”

It became evident early on in the process that Copley did not have the person with the background and capabilities to head this group. OAT determined this individual should be responsible and accountable for “meeting the information needs of both internal and external clients and insure that the process gathers, synthesizes and delivers information needed in the organization.”

Copley management was in agreement on what they were not looking for in an individual for this position. Neither: “a high-powered, Ph.D., academic, abstract thinker about real estate” nor “the guy that set up the Saber System for American Airlines.” One individual felt the person should have three main competencies: technology, management and strategic leadership. The level of real estate knowledge required for this position was a source of debate among the senior managers. One individual commented, “Maybe some
real estate knowledge, but real estate being the least important. There’s plenty of real
estate expertise in this company.” In addition, this person should not have “real estate
blinders on, but really have a more cross-industry perspective. An individual who won’t
be mired about the way we thought about things in the past.” Some felt this individual
needed to be a leader, visionary and be able to generate enthusiasm. As one person
commented: “This person has to be a real leader, and somebody who has a vision and is
really able to get people fired up about moving toward that.” Finally, others felt a fresh
perspective, provided by an outside hire, was a healthy contribution

To find the proper individual for this position, Phillips was placed in charge of the search.
In addition, he was appointed the interim head of the Information & Research block.
Phillips was placed in the position to give the group cohesiveness and a voice at the
Management Committee. As of April, 1994, the position was not yet filled and Phillips
estimated that the process would take another six to eight months.

While the general purpose of the block had been established, its specific role and the
means to achieve its goals was to be determined by the permanent blockhead. This
person’s absence lead to a plethora of opinions among Copley personnel as to the specific
purpose of the block. For instance, O’Connor described Copley as an aircraft carrier,
with Information & Research as a “combat information center”:

“They’ve got all the radar screens, and they’re trying to look ahead out in
the field, and say ‘What’s out there? What are the problems we anticipate
from investment policy? What information do you need in order to do your
part of the job right? How do I make sure that the information is
coordinated between the different groups?’ ”

A senior manager provided his vision for the Information and Research Block:

“I see the day when marketing people go out with their lap tops and all the
information for their entire portfolio is in there. People will be asking
questions and these people will be on line to answer. I can also see the
time when the client has the terminal in their office and they have all the
information on-line, real-time from Copley’s portfolio data base.”

Another senior manager indicated what he saw as being the importance of the information
and research effort to the future of the company:

“This takes what was a year ago a necessary evil and actually use it to
grow the business and use our knowledge of information and our ability to
collect it and then disseminate it and make it available, not just to our
internal users, but also to clients...Perhaps someday I would expect to
develop products around it. There’s clearly a bit of blue sky involved
there, but that’s essentially what we’re trying to do.”
One member of the New Business block simply said, "I don’t know what they are going to provide going forward, to be honest with you." And there was even skepticism among employees in the Information and Research block regarding the level of commitment from the Management Committee to make this a core business unit. One person commented:

"It was presented to me that we’ve been elevated in the company to be seen as a very integral part, whereas before we felt we were just servicing these people. I’m not convinced that we’re really on the top of everybody’s list."

**Corporate Management**

The final core business unit, Corporate Management, was headed by O’Connor and was responsible for the continuous development of Copley’s corporate strategy, policy and business plans. In addition, this group directed other corporate management functions including the general counsel, controller, payroll, human resource development, public relations and corporate administration. There were approximately 25 employees assigned within the block.

**Management Committee**

Above the four blocks sat the Management Committee. The committee consisted of the four Blockheads or Process Owner of each block and an Outside Advisor, with O’Connor in the dual role as Blockhead and CEO. The Management Committee was responsible for strategy, new product authorization, reinvention, and macro-investment policy. In addition, this group provided one of the communication links between the blocks.

**Synergy**

The New Business and Information and Research blocks were identified as the groups that would distinguish Copley going forward. It was envisioned that these two blocks would work closely together in exploring opportunities in the marketplace. As evidence of its commitment to these ventures, Copley increased the budget for these two blocks from a total of $1.5 million to $5.1 million. In addition, the New Business block did not have the sole mandate to explore new sources of business. The Investment Management & Services block considered themselves well positioned with their knowledge of the existing inventory to assist and even create new business initiatives. Therefore, New Business, Information & Research and Investment Management & Services were hoped to generate additional revenue sources.

**ROLES**

**Teams**

As each block was organized around a process, the blocks consisted of teams to perform the process. By realigning in a team orientation, the company was thought to be able to provide better service to its customers. Copley defined the team as "a set of individuals who work together to achieve an overall result and who rely on one another to attain the
optimum of success and goal achievement.” For instance, each portfolio within Investment Management & Services had a team dedicated to the management of that particular portfolio. The basic tasks of the team within each block, as identified by Copley, were as follows:

- Set goals;
- Solve problems;
- Make decisions;
- Ensure follow-through and completion of tasks;
- Collaborate on work;
- Establish lines of open communication;
- Establish an environment which encourages issues to be raised and discussed;
- Ensure an appropriate support system.

Team Members were assigned based upon their skill set and knowledge and the focus of the team. The company realized certain skill sets were not needed in the everyday performance of the team, but may be required in the overall discharge of the team’s responsibilities. As a result, Experts, offering specialized skill sets, were assigned to each block. As one manager explained, the Experts looked...

“...across the various portfolios. They are supposed to provide the three C’s - consistency, control and contact. Consistency across the teams; Control where it is needed like accounting; Contact where we have major clients, partners, lenders.”

The teams utilized these Experts to assist them on an as needed basis. For instance, Investment Management and Services had four experts: Asset Disposition, Client Relations, Internal Controller and Finance. The Expert was not the only contact: “For us to lose relationships because we empowered a team...is ludicrous.” Therefore, the Stakeholders provided additional continuity for the client and assisted “in seeing the big picture and what’s good for the company as a whole.”

Stakeholders
Anyone within the firm enjoying a significant personal relationship with a capital source was identified as a Stakeholder. Stakeholders were responsible for maintaining a single point of contact with significant relationships of the company. The role of Stakeholder was not a full-time position. This role was in addition to the individual’s other responsibilities as a Blockhead, Team Leader or Team Member. Under the new alignment, organized by portfolio, an investor may prefer to interact with one particular individual within the company rather than a new point of contact resulting from the realignment of responsibilities. Stakeholders were created to work through this inefficiency. O’Connor saw the need for this role: “If a customer wants one person to deal with, they’ll get one person.”
Empowerment
To better serve the client, the new structure empowered teams to make all major and minor decisions relating to their process. For example, specific portfolio teams in the Investment Management & Services block were empowered to determine the strategy and execute the plan for their respective portfolios. As one senior manager commented: “The teams were empowered to establish the strategy for the portfolio as well as make decisions necessary to implement that strategy.” In addition, these teams had direct contact with the investors in their fund. As such, the teams were given responsibility for strategy, budgeting, communication, reporting, management and operation of their processes.

A senior manager defined empowering people and teams as:

“Providing some parameters...giving a sense of direction from the top, be that the Process Owner or the Management Committee, about what really matters. Then throw the ball to the team leader and his or her team to really develop a plan for implementation. Then, the team leaders would go to the Process Owner on a regular basis as a reality check. The Management Committee would act as a Board of Directors rather than an authoritarian body.”

A long-standing complaint at Copley was the previous lack of decision-making authority by anyone other than a few of the highest ranking officers. Almost all decisions had to be forwarded through a lengthy chain of command. An employee described the old format: “You were definitely constrained by who to go to, who to get final approval from, or day to day things that you should have been able to go to one person and say, ‘This is what I want to do.’ ”

In contrast, empowerment would allow the decision-making authority to be shifted to the people actually responsible for the process. In this way, the people most familiar with the issues would be the ones making the decisions. One individual commented: “What the new process allows is for that decision to be made by one individual. I don’t have to worry about numerous people being involved. It’s a major improvement, more than anything else.”

Titles
To promote unity and empowerment, titles were specifically de-emphasized in the new team format. The titles Blockhead, Team Leader and Team Member were seen as temporary and the Corporate Management was examining the title system - with some difficulty. A Team Leader in the Corporate Management Group commented:

Going forward in the new organization, we will try to keep it simple. A couple of issues come up. If we’re in a team environment, then maybe we should not have titles. From outside feedback, that is fine if you are a startup company, but when you are an existing entity, it is hard to tell
people you do not have a title anymore, when they have had titles. It is also different in dealing with the outside world when you do not have a title. People will ask, ‘Are you authorized to deal with me?’ So, for the purposes of titles, we are going to have to define them somewhat.

O’Connor’s New Role
One of the most significant changes made was the role O’Connor would play in the organization going forward. In the new organization, O’Connor’s role as a Process Owner of Corporate Management and CEO did not embody the same level of power or control that he exercised under the previous structure. With the team format and empowerment in the new organization, other people began making decisions previously made by O’Connor.

O’Connor viewed his new role in general terms as very similar to his role in the early years of Copley: “I was a pretty good coach and teacher.” More specifically, he viewed his role as Process Owner and CEO in the new organization as ...

“...50% sales, contacts and relationships to create business. The remaining 50% focused on vision, strategy formation, identifying organizational problems and remedies and determining the continual changes needed by Copley to meet the demands of the marketplace.”

SKILLS
Skill Sets
With the implementation of the team format and empowerment, two general skill sets were identified as being necessary. The first skill set was easily transferable to the new organizational structure and consisted of the same functional skills possessed under the old organization -- i.e., asset management, accounting, finance, etc. These were the skills necessary to carry on Copley’s basic operation as a real estate investment company.

The second skill set consisted of team skills or interrelationship skills necessary to effectively operate Copley as a company under the new structure. This skill set was noticeably absent in the old Copley environment. As one observer commented: “There is also a need for team skills or interrelationship skills that I am not sure that as a company we have ever tried to find or reinforce.” In the new organization, people “will end up being not as much a specialist with skills skewed in one direction or another, but will develop broad skills or interdisciplinary skills. People will share these in varying ways and teams will come together where they will augment one another in a much more dramatic way than we have seen in the past.” Coughlin observed how he felt his role had changed with the new organization:

“My role previously as head of asset and portfolio management was as senior person in those areas directing in a hierarchical way the goals and
objectives of those areas, causing them to be broken down into subparts and be effectively completed in the organization. My role today is to coach and counsel and to motivate people in those areas to accomplish the same things. It is to give people the tools and the resources to get the job done.”

**New Leadership Skills**

Senior management realized a need for new leadership skills. Visioning was a new skill developed among the senior managers. In the new organization, visioning was defined as looking forward strategically and being able to anticipate needed resources and potential problems. Senior managers developed or broadened skills to motivate both individuals and teams. Instead of a need for technical skills, senior managers needed the skills to manage both individuals and teams. One senior manager observed:

“The skills of the leader today include the ability to assess individuals collectively and individually. Their ability to work together means something, but their own strengths and weaknesses individually need to be measured so that you can see them balance someone else on the team.”

**Training**

The development of new management and team skills was facilitated through training. As one observer commented: “Before you might have had training in asset management or finance. Today, the training must be on more of what I call the soft side of the business - the management skills.” Another commented: “We need a lot of help in team training, because we are not used to operating as a team.”

On March 23, 1994 Copley held its quarterly meeting. The day was dubbed “Team Day” because it was the formal introduction to the company of Manus Associates, a Team Management Consulting firm. The employees sat according to their teams. The consultant asked them to discuss their perceived opportunities and drawbacks to working in a team format. He then introduced four building blocks of effective teams: Goals, Roles, Processes and Relationships.

Team Day represented the first formal effort at training employees in the new organization. Additional training in teamwork and other areas were envisioned. Additional training would be in the form of seminars and workshops to be attended by everyone in the company. As of April, 1994, Corporate Management was still compiling a plan and schedule for training.

**SYSTEMS**

**Reward Systems**
Along with a new organizational structure, some reward systems, such as compensation and titles, were changed in order to facilitate the new team focus and empowerment. As of April, 1994, many of these systems were still being identified and studied for resolution.
Compensation was identified as a major and necessary change. The Team Members in each block were to be compensated under a new format based upon both individual efforts and the efforts and results of their respective teams. The Corporate Management Team Leader charged with responsibility for structuring the new system commented: "We realize in order for people to be incentivized to meet team goals a portion of their compensation must be tied to meeting team objectives. We are trying to figure that out now."

One component of compensation that had been determined was the bonus for the first six months of 1994. It was to be in large part based on how effectively employees transitioned from their old position to their new position. According to Coughlin,

"If someone has done a good job getting the materials prepared, effectively transitioning to another person and effectively integrating themselves into a new team, then they will get a good bonus. Someone who has not done that may not get a bonus. So we are trying...to tie compensation on the effective activities of the transition to give people that incentive."

In the new team format, traditional functional titles, such as Vice President or Asset Manager, were de-emphasized to facilitate team effort and process orientation. As of April, 1994, this issue was still under study. However, the typical human concerns regarding promotion and the need for titles as recognition of status outside the company were being taken into consideration in modifying this system. As one individual commented: "Not too many people outside Copley know what a Process Owner is or what their level is in the company."

**REFLECTIONS ON THE CHANGE**

One interviewee indicated, "success breeds failure" from lack of change or complacency. Although the company had realized success in the past, the future was clouded. Everyone in the company realized something needed to be done.

Another observer commented, "This company needed an enema." On the changes enacted, O'Connor commented:

"We had to do it. It was critical. Otherwise we wouldn't go out of business, we would die slowly and that is worse than going out of business."

After the transition, some commented: "We still don't even know what some of the question are."
Was The Change Right or Enough?
Although everyone agreed that the change was far reaching, some voiced concern over whether the change taken by the company was in fact substantial enough or even in the right direction. One observer indicated:

"Fear of not making the right cuts. That we have not cut deep enough. That we are going to have to do things again. Everything I read about people doing these things is that we have not gone far enough."

Another commented, "I worry that Copley is not doing a flavor of the month club. Reengineering and change has been trendy lately."

All agreed on the surprising level of physical and mental demands involved in the change process. The process was found to be both intellectually exhausting and physically tasking. One participant lamented, "The process is highly time consuming, longer, harder and deeper than anyone originally thought." Several others observed, "I never want to go through this again."

O'Connor's Personal Evolution
Some saw a relationship between the creation of Copley by O'Connor and the recreation of Copley by O'Connor through the change process: "I think the decision to create this company and his decision to initiate the change was something very unique and personal to him. He came forward in a very dramatic way with ideas then and now."

Many felt O'Connor's personal evolution was one of the most critical steps in the change process:

"Joe needed to change himself before he could tell other people to change. This process of change would not have been successful unless Joe sat down with himself and said 'You know, I probably have to change, too.'"

Another felt O'Connor's personal reassessment was the result of his love for the company he built from scratch and his concern for the company's future existence:

"If Joe did not care so much for the company, I don't think we would have ever gone through the restructuring. Who knows were Copley Real Estate Advisors would be?"

Values
O'Connor believed the people of the new Copley will not have "somewhat different values." The old individualistic deal maker mentality which successfully propelled Copley through the 1980's will be downplayed in the future. Instead, Copley's success will be achieved through a team effort in which skills are contributed from a variety of team members. As one person observed, "The key to this change is realizing that the
whole is greater than sum of the parts and the company must utilize its various skills together.”

**Communication**
During the change process, effective communication to all members of the company was essential to avoid misinformation and confusion. Although the implementation of the change process was widely viewed as excellent, some felt the communication of the changes and the resulting impact on the employees was not handled well during the transition period. As one senior manager observed: “I would say we got an A on implementation. On communication issues, I’d say we got a B- to C.”

**Transition Period**
Many felt the transition period was too lengthy and exposed employees to prolonged uncertainty. As one observed, the transition was “dragging on too long with no dates certain.” Another commented, “The transition process has been a little cloudy, a little difficult on people and its sort of been drawn out.”

Specifically, the two weeks of the “Hands-Up” process was widely viewed as the most stressful period of the transition. There was widespread concern during this period over the number of layoffs. As a junior manager indicated: “One day you think your job was safe and then rumors would spread and say ‘Oh my God, there’s going to be fifty people that are going to be laid off.’ So there was a lot of uncertainty.”

**“Hands-Up”**
Although there were complaints of the length of transition and the length of the “Hands-Up” process, the “Hands-Up” process itself energized people and gave them a feeling of control. Once the assignments were announced, people felt the concept of the “Hands-Up” process was good: “What it allowed people was to do something different if they really wanted to. That was what was good about the process.” Furthermore, people were very “realistic in the “Hands-Up approach”’ and in their selection of positions. Another expressed satisfaction by saying “Everybody was really, really happy with what a good job Human Resources did in placing people in the jobs.”

**Buy-In**
As one senior manager reflected: “Buy-in to this whole process is incredibly important.” Buy-in was defined as the active support and participation in the change process by all members of the company.

**Size Factor**
Copley’s size facilitated the change process: “Copley had a big plus in the change process in that they are relatively small compared to a company like AT&T. Changes can be implemented more quickly and thoroughly.”
Reactionary
Although a majority of the people believed the changes were correct and not too radical, a small minority reacted negatively to the prospect of change in the company. Some thought the changes were too extensive without testing in a controlled or smaller environment. As one senior manager commented: “We don’t understand what some of the risks are. The risks don’t have anything to do with structure, but with people.” Some reactionary emotions ran high: “People would come into my office and literally scream...about how we are destroying this company.” These people believed that either the changes were too radical or that the changes were unneeded and that the company should have “ridden out the current down cycle.” Positioning these reactions on a bell-shaped curve, the reaction of “No need for change” and “Change was too radical” were outliers representing a small minority. Those believing the “Changes were correct” were in the center of the bell-shaped curve and represented the majority.

Continual Innovation
Many believed in “maintaining a constant commitment to the change process.” However, some voiced concern of the human weakness of attributing all problems to change as opposed to searching for corrective processes or creative solutions. The challenge was to continually seek solutions to problems as opposed to condemning the change as unworkable and retreat to an old process. One observer commented:

“Human reaction during any change or difficulty is to cling to that which you are most comfortable with. That is the history people have. I think the weakness or difficulty will be to continually evaluate how we are doing and pushing people to go beyond the old way of doing things... A weakness would be a human predisposition to the familiar way. You need to constantly check in to make sure you are not.”

CHALLENGES AHEAD:
The people at Copley were excited about the changes and looked forward to the future. However, the road ahead was anticipated to be more tasking, more tiring than the one traveled. Copley faced major challenges:

“Copley has to maintain its top five position. It has to learn how to market and sell its investments. It has to have a story. What makes Copley different?”

New Revenue
The future of the company was based on its ability to find and generate new sources of revenue. Revenue growth was expected to come primarily from the New Business block. Without new sources of revenue, the existing revenue base would continue to decline causing inevitable layoffs, merger or closing. This challenge was expressed by a senior manager: “We need to get back into New Business. We need to be back as productive members of the real estate investment environment.” More bluntly, another person
observed: “New Business has to succeed. If it does not succeed, we are all in a little bit of
trouble.” New revenue was anticipated from a number of areas:

“Our client is much broader than pension funds. In going through the
whole process, we set up a series of strategic initiatives in areas - We need
to form an alliance with a mutual fund. We need to be in the 401(k)
business... We need to be in the securitized business. We need to be much
more actively involved.”

Whatever form new business was to take, the key was accessing capital: “Capital raising
is a primary concern.” By gaining control of new investment capital, new revenue to
Copley was realized from capital management fees. A significant challenge for the New
Business initiative in the raising of investment capital was to:

“get our story developed and our strategy such that investors can
understand who we are and what we are. To some extent, Copley is
hindered by the stereotype that we were a developmental niche player and
a company of the 1980’s.”

Developing new products to suit the investor’s needs and desires was critical:

“We as a company have to be very flexible in designing product...
Previously, we had one product... The advisors were pompous to the
pension funds over the last ten years. They told the pension funds ‘You
don’t know what you need. We know what you need.’...Now the pension
funds are saying ‘We know what we need, but you do not provide the
product that we need’....This is a product issue.”

Existing Business
While searching for new sources of revenue, the existing client relationships had to be
maintained and serviced to the client’s satisfaction. With teams servicing their respective
portfolios, the Blockheads, Stakeholders and Experts provided the company wide
perspective and “filled in the cracks between the teams.”

Many of the clients were used to interacting with certain Copley employees. With the
reassignments in personnel and responsibilities, the clients often had new points of
contact. This realignment could have caused some confusion and misunderstanding with
the client and even within Copley. As one individual commented, the challenge lay with
“the difficulty in addressing existing relationships when the new teams and new jobs have
been established.” One concern was “whether the clients/investors have the same point
of contact with the new Copley.” This concern was addressed by the involvement of the
Experts.
People
The new organization challenged people to adapt and develop new skills to successfully operate within the new company vision and team environment. Some people were unable or unwilling to change. A senior manager observed, “A lot of people will have to develop the skills to manage in this new environment.”

There was the expectation some people may fall short. In this regard, another commented: “Some people will not be able to make the transition or the skill change.” For those that cannot adapt, the future was uncertain. A senior manager commented, “I fully expect some of the team leaders will need to be replaced.” Another expressed: “Nothing personal, but some will be let go if they cannot keep up.”

However, there was a fine line between replacing people out of frustration, as problems develop, and replacing people inadequate for the position. The trick for the senior management was to distinguish between the two.

Knowledge Transfer
Concerns were raised on the means of efficiently transferring experience and knowledge from an individual(s) to the newly organized team. Much of the individual’s experience and knowledge was garnered over the years. In the new structure, the individual with a particular knowledge of an issue may not have been assigned to the team responsible for that issue in the future. Although many viewed the team format and empowerment as the best way to serve the client, the challenge was to effectively transfer experience and knowledge from one part of Copley to another. If the transfer was not made, the client, instead of being serviced, was disservice. A senior manager expressed this concern:

“I think the client service aspect will work and we will be more responsive to the client’s needs because the decision making will be within the team or portfolio, where it needs to be...My biggest fear is that the people running the portfolio have no real estate experience for the most part. We have empowered them and they like it, but I hope they don’t take this empowerment and go crazy with it because if they don’t start checking with people who have all the experience and knowledge and the history, then they will be making bad decisions. We haven’t seen that yet, but there are indications that people say there is no reason to talk to a higher up because it is my deal now. The higher ups are here as a resource and should be utilized. That is my biggest fear.”

Shift From Function To Process
The shift from function orientation to process orientation was demanding. The challenge for Copley was to continue the change process and not stop halfway or retrench when people had difficulty assimilating in the new environment. One person expressed a
common fear:

"I don't know how it is going to work. Being process oriented as opposed to task oriented is really a behavioral change and it's difficult to change your behavior. I feel that it is difficult and I think people are going to have a hard time with it."

Another observed: "Functioning as teams does not come easily to people. It is something we have to learn. You have to work at it."

**Team Objectives vs. Company Objectives**

Although the company had an overall objective, the team's success was measured by the team's performance in relationship to the team goals. Theoretically, the company's and the team's goals matched. In practice, however, the actions of a team striving to achieve their goals may have adversely impacted another component of the company. The challenge was to allow the teams to operate independently, but with a view of the ramifications to the company as a whole. The issue, related to giving the teams decision making power, was the balancing of that control and independence with overall company objectives. One senior executive noted:

"My biggest fear is you're going to have a bunch of team leaders who now think they're presidents of small companies. I think to meet your team objectives is admirable, but people can't forget that we are still one company which has corporate goals and that your teams and goals and visions have to be aligned with corporate goals and you have to operate as one company."

**Diffusion Of Power**

With empowerment, the role of senior management changed from decision maker to director. The challenge was for senior management to release control and allow the teams to make the decisions. Senior management had to become comfortable in their new roles. The value a senior manager provided to the new organization was be very different from their value in the old organization. A senior manager said:

"I used to make decisions. Now I facilitate. I am a facilitator. People are now empowered. They used to ask my advice. It's tough because for 20 years people ask your advice. You've got a title that sounds pretty good and people seek your counsel and now that doesn't happen anymore. No one seeks your counsel. They are coming in and telling you what they did. My role is entirely different."

Many viewed this as a particularly difficult and challenging for everyone, including O'Connor, at Copley. One senior manager commented: "I think it is going to be interesting if Joe can keep his hands out of the funds and just kind of be there as the
advice giver.” If the senior management was not able to control their involvement in team affairs, the threat was clearly a backslide into the old format.

This fear was expressed by a senior manager in the following statement:

“I am afraid that it is not going to work, that we will sort of fall back into our bad habits again. I am afraid that people won’t be empowered to make decisions and that people will still be task oriented.”

A junior manager expressed the same concern,

“A lot of the talk you hear going on is that people are empowered to make decisions now and I still don’t see it. We still have to go through two people to get some equipment approved. So I don’t know how much that is really true.”

**Standardization**

The teams were empowered to operate independently. However, the challenge facing the teams and the blockheads was to standardize, without stifling creativity or reducing empowerment, certain procedures across the teams. The standardization avoided repetition of effort and provided consistent reporting and presentation to the outside world. Areas of standardization range from authority to enter into contracts to reporting on properties and markets to investors and the public. One observer commented on the issue of “getting all the procedures and controls in place. When moving from a centralized to a decentralized format, control becomes a big concern. Who is authorized to bind the company to a contract?” Another commented on the concern of “inefficiencies in processes that really should be standardized across the company or within a block --i.e. valuation. Properties in Southern California should be valued the same way, have the same outlook and a the story that is exactly the same.”

**Management Of Data**

Redundancy of information, knowledge and process among the teams was a concern for many people. With each team operating as an individual entity, redundancy was a threat among teams with overlapping areas of responsibility. One senior manager expressed this concern in the following:

“It is a little cloudy for us how we are going to organize ourselves, so that there is not redundancy or that there are not things lost in the communication between teams.”

With the teams aligned around portfolios as opposed to the previous alignment of development partners, there was bound to be redundancy in expertise. As one manager
observed:

“Now you have a redundancy in expertise. Three people who know the Southern California market instead of one.” [This may have created synergy.] “but in reality, it really means three people know the same bit of information.”

One way to minimize redundancy was “to make sure every one talks to each other.” Others hope the redundancy in information collection would be overcome largely by the Information & Research group. This block was hoped to provide systems to control and manipulate the wealth of the company’s data base and provide external data as well.

Although the company planned an extensive automation program through Information and Research, Copley had a wealth of data on properties and markets that remained untapped in the absence of an appropriate system. For instance, the company was unable to determine something as elemental as the occupancy levels among all their office projects. The challenge was to install a system to efficiently access this and other types of data for internal and external presentation. Right now, however, these steps were just being conceptualized and the void was clearly evident. One senior manager complained, “Let's deal with the basic problem first. I need information about my own company. I need access to a data base. Right now, I don’t have that.”

This was a tremendous challenge for Copley. Although everyone saw Information and Research as being a linchpin to Copley’s future success, there remained many “ifs.” One observer commented, “Research is not adequately supported yet. But you have to walk before you can run. We are never going to be a research driven firm, but a research guided firm.”

Employee Compensation

With many of the deal driven personalities still in the firm, the effort was to shift the “deal junkies psychic rewards from doing deals” to being psychologically rewarded by the success of the team and the company. O'Connor commented, “What I want to see is the team do well. When we formed Copley 12 years ago, it really was a small team. If anybody did something that was good and it benefited the company as a whole, everybody felt good about it. That’s what the feeling should be...”

A major challenge was establishing the new reward system in the new Copley: “There are issues of rewards. How do you reward a team for doing a great job or going about their goals? And that’s always been an issue - the compensation here.”

The reward system needed to address compensation, promotion, and titles. One manager
commented on these issues:

"We are still struggling with compensation and reward issues. As a result, these answers are still being formed."

**Making It Work**

Success in meeting the challenges can be measured in a variety of ways. However, Phillips offered two practical measures:

"I think the change process will be viewed as successful, if we can find some ways to get back in business and have some successes. The second...is if the teams can look back and say, ‘I really am running my own company. I really do have authority to act.’"

One of the founding members offered the following sobering thought:

"If this whole change process doesn’t work, it will be tough to unwind because the whole decision making process is being changed now. If we were to abandon the new structure and go back to the old structure or some variation, people would really be confused. Plus the people outside Copley, investors and bankers, would perceive Copley as being in a state of turmoil. We have to make this work. We do not have the luxury of going back."

**FINAL COMMENTS**

A major question was where the change would lead. O'Connor reflected: "I’ll be honest, when I started this off I had no idea how far it would go." The old organization had certain codes of operations and internal relationships that had evolved over time. As the extent of the change became clear, some people quickly realized the inability to transfer these rules and relationships to the new organization. As issues arose, the new organization had to develop a new set of rules and internal relationships. This observation was reflected by one manager:

"A weakness is that people know an old process or system of doing things for good or bad and that at least gave them very defined ground rules. There are not a lot of ground rules in some of these things. There are fewer ground rules then there needs to be. We are in the process of identifying some of those."

However, some felt many of these ground rules would develop over time as problems arose:

"We'll go through the change now. Everybody will be reallocated and then we will find out what works and what doesn't work. Some things are not going to work, but we won't know that until we are actually up and
operating and that will probably happen within six months or a year. That has to be the one weakness, it is not actually in place. So you don't really know what is going to work.”

Although a large step, the restructuring was only the first in the change process. That the change process was continuous came as a revelation to some involved. O'Connor commented,

“We are in the process. We will never finish the process....We are in the middle of it right now, but its something that’s not sort of going from one set of concrete shoes to another set of concrete shoes. We’re trying to basically set up a process where we’re constantly reinventing, constantly reengineering, constantly changing the company.”

As changes needed to be made, Copley will be in a position “to do the evolution and not the revolution.”
CHAPTER FOUR

ANALYSIS

In this chapter, the case study (Chapter Three) is compared to the reengineering matrix presented at the end of the literature review (Chapter Two). The analysis will divide the complete matrix into more easily understandable sections which will be compared to the case. After the sectional analyses, the complete matrix will be presented. The purpose of the matrix is to serve as a guideline for defining and implementing the reengineering process. Although it contains elements that are commonly found in reengineering, it is by no means the definitive table for every reengineering process.

As indicated by the matrix, many of the results or outcomes of the reengineering process in the case are too early to be determined. The analysis will focus on the definition and implementation of BPR in the case.

Figure 3: Forces for Change

<table>
<thead>
<tr>
<th>Characteristics/Definitions</th>
<th>As Applicable to Case</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forces for Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Market Conditions</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td>Market declined</td>
</tr>
<tr>
<td>Customer Demands</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td>Higher demands</td>
</tr>
<tr>
<td>Increasing Competition</td>
<td></td>
<td>√</td>
<td></td>
<td></td>
<td>Not a factor</td>
</tr>
<tr>
<td>Continuous Change</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td>Cyclical market mandates adaptability</td>
</tr>
<tr>
<td>Form Follows Strategy</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td>Design around goals and processes</td>
</tr>
<tr>
<td>Internal Demand*</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td>Employee frustration with old organization.</td>
</tr>
</tbody>
</table>

Change in Market Conditions
The dramatic shift in the national real estate market in the late 1980’s and early 1990’s provided a colossal force for change for many real estate related companies including Copley. The value of the properties held in Copley’s portfolios dropped sharply along with the decrease in cash flow received from the rents for these properties.

Customer Demands
With the subsequent decline in real estate returns, came a sharp slide in client satisfaction. The change in Copley, was largely if not entirely client and market driven. These items in the matrix clearly apply to the case.

* Internal Demand was not a part of the matrix at the end of Chapter Two, this is something that specifically applied to the Copley case.
Increasing Competition
Although increasing competition is often a force for change in reengineering, in the case the force was more of a function of market decline rather than competition. In fact, competition for joint venture partnerships, Copley’s previous bread and butter, had all but disappeared in the late 1980’s.

Continuous Change
The business environment is constantly changing, a company’s organizational strategy should be able to adapt accordingly. Although it is still early to see further examples of continuous change in the case, there has been a recognition by Copley that change is an ongoing process. Most of the people interviewed, indicated that change was going to be a long term process and viewed reengineering not as a final change but more as the first step of an ongoing process.

Form Follows Strategy
One important aspect of reengineering is that the structure of an organization should follow its strategy. In the case, the clients demanded more responsive, accurate reporting as the market soured. Also, new areas of business were required in order for Copley to continue to grow. Copley restructure itself so that it operated more efficiently for increased responsiveness to its clients. The new structure had to enable Copley to aggressively pursue new business opportunities as they arose. The result was a restructuring that was driven and designed by a strategic focus.

Internal Demand
Although it is not an item of the original matrix, internal demand it was clearly a force for change in the case. Before reengineering, many employees were frustrated with the inefficiencies of Copley’s organizational system. One employee pointed out that prior to the change, “everything had to be run by Joe [O’Connor]; it was extremely inefficient”. There was an internal drive in Copley to modify some of the inefficient business processes.

Figure 4: Candidates for Reengineering

<table>
<thead>
<tr>
<th>Candidates for reengineering</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies in deep trouble</td>
<td></td>
<td></td>
<td>√</td>
<td>Still managed a significant amount, but were heading for trouble if not there already.</td>
</tr>
<tr>
<td>Trouble up ahead</td>
<td></td>
<td>√</td>
<td></td>
<td>Clearly in case</td>
</tr>
<tr>
<td>Companies that want to continue peak performance</td>
<td></td>
<td></td>
<td>√</td>
<td>Not the case</td>
</tr>
</tbody>
</table>

The case mirrored many of the implementation components that are outlined in the matrix. Copley fit the description of a common candidate for reengineering. It was a company that saw the trouble ahead if it were to operate in a “business as usual” fashion. When the case study was done, the company still managed roughly $10 billion in assets and would not be considered to be in trouble by many. However, this was considerably
lower than its one-time peak of $15 billion. The flow of new investor money was becoming a trickle, and current investors were becoming dissatisfied with Copley’s performance.

**Figure 5: Definitions**

<table>
<thead>
<tr>
<th>Definitions</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radical redesign of business along processes</td>
<td>✓</td>
<td></td>
<td></td>
<td>Focused on processes in the redesign of the structure.</td>
</tr>
<tr>
<td>Fundamental</td>
<td>✓</td>
<td></td>
<td></td>
<td>Fundamental questions were asked in the redesign.</td>
</tr>
<tr>
<td>Customer oriented</td>
<td>✓</td>
<td></td>
<td></td>
<td>New design focused on customer satisfaction</td>
</tr>
<tr>
<td>Tremendous potential breakthroughs in performance</td>
<td>✓</td>
<td></td>
<td></td>
<td>Too early to tell; not yet known</td>
</tr>
</tbody>
</table>

*Radical Redesign of Business Along Processes*

It is apparent that many of the descriptions and characteristics of reengineering apply to the Copley case. The company was previously very function-oriented. It concentrated on the individual tasks involved in a process instead of the process itself. Through BPR, each process at Copley was analyzed diagramatically in order to discover inefficiencies. The company evolved from being function-oriented to being process-oriented.

The case involved radical change in that there was not an attempt to simply modify one aspect of the organization or put a “Band Aid” on a dysfunctional part. Rather, there was a focus on reinventing the strategy and processes of the entire organization.

*Fundamental*

Since the basic organizational structure of Copley was altered, there was fundamental change in the case. Fundamental questions, such as “What do we do?” and “Why do we do it that way?” were asked when analyzing the old roles and processes of the organization.

*Customer Oriented*

Since the need for change was largely client driven, the reengineering process at Copley was customer oriented. There was a focus on increasing the responsiveness to the customer and a concern for increasing customer satisfaction.

*Tremendous Potential Performance Breakthroughs*

Although it is still too early to see most of the breakthroughs in performance from reengineering, the potential for increased efficiency through streamlined business processes is present in the case.
Figure 6: The Players

<table>
<thead>
<tr>
<th>The Players</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader</td>
<td>√</td>
<td></td>
<td></td>
<td>O’Connor initiated the change process, gained support of others.</td>
</tr>
<tr>
<td>Process Owner</td>
<td></td>
<td>√</td>
<td></td>
<td>Previously, no process owners; “Block heads” became process owners.</td>
</tr>
<tr>
<td>Reengineering Team</td>
<td>√</td>
<td></td>
<td></td>
<td>Various teams served this function.</td>
</tr>
<tr>
<td>Steering Committee</td>
<td></td>
<td>√</td>
<td></td>
<td>Delta was the governing body for change, but may have disbanded too soon.</td>
</tr>
<tr>
<td>Reengineering Czar</td>
<td>√</td>
<td></td>
<td></td>
<td>Consultants performed this function as experts and facilitators.</td>
</tr>
</tbody>
</table>

For the most part, the key players of reengineering, identified by Hammer and Champy, were present in the case study:

**Leader**
Joe O’Connor played the role of the leader of the reengineering process in the case. He was the senior executive who authorized the change process, gained the support of management and employees, and motivated the overall effort.

**Process Owners**
Since the old Copley structure was function-oriented, not process-oriented, there were no process owners to help redesign the processes. The responsibility to redesign the processes was given to Delta, OAT, and Strategy. These teams were comprised of senior management who were familiar with how the various functions interacted within Copley. They and created new processes.

**Reengineering Team**
These are the various teams including Delta, OAT, Strategy, Gridlock, and Transition involved in the change process. This was comprehensive process and required a considerable time commitment by the reengineering team members; the responsibility of the process was divided by the teams, each with specific goals.

**Steering Committee**
Delta was the “Steering Committee”. It was the policy making body which created the other change teams. Delta was responsible for overseeing and monitoring the progress of the reengineering effort. One fault might have been that Delta was disbanded before the transition was completed. Thus, it never oversaw the transition phase of the process, but relied solely on the transition team to accomplish this task.
Reengineering Czar
The reengineering czars were the consultants who fulfilled an important role in the reengineering process. Their role was primarily as a facilitator to the various change activities and not the initiators. The consultant, T.A.B., helped to maintain the focus of the change process and guide the change teams when they had questions regarding their roles. They helped with developing reengineering techniques and tools to guide the process. As mentioned in the case, Copley first “digested and drew its own conclusions”; the consultants were mainly facilitators and were careful not to bombard Copley with their own ideas and impressions. This ensured that Copley understood the need for change and its change strategy since Copley was ultimately responsible for developing both. Perhaps “facilitators” is a more appropriate descriptor than “czars”.

Steps in Implementation

Figure 7: Create a Vision Focusing on Operations

<table>
<thead>
<tr>
<th>Steps in Implementation</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a Vision Focusing on Operations</td>
<td></td>
<td></td>
<td>Vision tied business assumptions with operations.</td>
<td></td>
</tr>
<tr>
<td>Picture of “end state”</td>
<td>√</td>
<td></td>
<td>O’Connor’s and Delta’s vision of the new Copley.</td>
<td></td>
</tr>
<tr>
<td>Customer requirements</td>
<td>√</td>
<td></td>
<td>O’Connor’s list of assumptions and Delta’s input for change.</td>
<td></td>
</tr>
<tr>
<td>Features of company’s most successful products</td>
<td>√</td>
<td></td>
<td>OAT’s core competency assessment of Copley</td>
<td></td>
</tr>
<tr>
<td>Capabilities with worthwhile and defensible edge</td>
<td>√</td>
<td></td>
<td>Part of core competencies assessment</td>
<td></td>
</tr>
<tr>
<td>Include measurable objectives</td>
<td>√</td>
<td></td>
<td>OAT, Gridlock, and Transition Teams had specific objectives to accomplish with a time table</td>
<td></td>
</tr>
</tbody>
</table>

Picture of “End State”
There was a focus on the vision of the new Copley throughout the reengineering process which was influential in the assessment of changes to be made. O’Connor had a clear vision of the “end-state” where he wanted the company to be. He communicated this vision with management and employees before the company began the design and implementation process. Delta and the Vision and Values Team, worked together in developing and refining O’Connor’s initial vision.

Customer Requirements
As part of identifying the vision and setting a plan to achieve it, O’Connor made list of basic assumptions that he saw for the business environment in the future (Appendix B). Subsequently, each role and process in the organization was questioned by OAT as to its function and relevance keeping the customer requirements in mind. Also, the Strategy Team developed corporate strategy around customer requirements as defined by the vision and values statement.
**Features of Company’s Most Successful Products**  
Each process at Copley was analyzed by OAT. The team asked some very fundamental yet important questions: “What were Copley’s specialties?”, “In what areas did they have a competitive edge?”, “What processes needed improvement?” By doing this, a list of Copley’s core competencies and areas of improvement was formed.

**Capabilities with Worthwhile and Defensible Edge**  
After OAT assessed Copley’s core competencies, it determined which capabilities had a place in the new organization.

**Include Measurable Objectives**  
Both OAT and the Gridlock Team formed specific, measurable change recommendations for the company. OAT’s focus was more on Copley’s fundamental structural change. The Gridlock Team focused on the “quick-fix” changes that could facilitate the larger change and reduce gridlock in decision making.

**Figure 8: Analyze Current Structure**

<table>
<thead>
<tr>
<th>Analyze Current Structure and Processes</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target processes</td>
<td>✓</td>
<td></td>
<td></td>
<td>The “what” and “why” of each process was analyzed.</td>
</tr>
<tr>
<td>Organizational issues</td>
<td>✓</td>
<td></td>
<td></td>
<td>Company structure was analyzed.</td>
</tr>
<tr>
<td>Readiness of systems/leaders to change</td>
<td>✓</td>
<td></td>
<td></td>
<td>This was assessed by Gridlock.</td>
</tr>
<tr>
<td>Assessment of capability to operate under change</td>
<td>✓</td>
<td></td>
<td>A big concern, in order to meet demands of clients during process.</td>
<td></td>
</tr>
<tr>
<td>Determination of potential problems from change</td>
<td>✓</td>
<td></td>
<td>Some were anticipated, others were discovered during the process.</td>
<td></td>
</tr>
<tr>
<td>IT infrastructure</td>
<td></td>
<td>✓</td>
<td></td>
<td>IT needed change but not clear how to change it exactly.</td>
</tr>
</tbody>
</table>

**Target Processes**  
Only after making a thorough self-assessment of the company and its processes, was OAT able to make structural change recommendations. OAT targeted each process within Copley and asked “What is the purpose of this?” and “Why do we do it this way?”. The processes were then mapped to visually look at their efficiency. Through this exercise, OAT discovered that many of Copley’s processes were highly inefficient, often looking like a “spaghetti bowl” when mapped.

**Organizational Issues**  
OAT discovered through the process mapping that there were some definite weaknesses in the organizational structure at Copley. Part of the reason, OAT discovered, was due to the fact that Copley had been function-related rather than process-related. Many times, each function was compartmentalized without regard for the process as a whole. It lacked a big picture framework. The reorganization focused on the process as a whole, and each team was developed in order to perform a certain process. If there was no longer a need for a specific process, the team would be disbanded.
Readiness for Systems/Leaders to Change
O'Connor realized that having the active support and participation from all levels of the organization was critical for the change process to be successful. Before the process began, O'Connor made sure that management and the employees of Copley were behind the reengineering program. As a result, there was a great deal of readiness and anticipation for change to begin. The general consensus, in fact, was to move "full speed ahead" in order to more quickly accomplish the initial, more difficult change associated with the restructuring. In hind sight, many did not anticipate the amount of work involved, or the broad scope of the change process. However, most were satisfied with the pace at which it was implemented.

Assessment of Potential to Operate Under Change
It was crucial for Copley to be able to run its business and fulfill current client needs while the change process was being implemented. Although in the long run Copley anticipated more efficient client communication and service, in the short run it was anticipated that the blockheads, stakeholders, and experts would have to "fill the cracks" between the teams during the implementation process.

Potential Problems from Change
Some of the problems from change were identified by Copley before the implementation process was underway. The Gridlock Team, sought to troubleshoot potential problems and take action to eliminate them. Some of the problems creating gridlock were lack of prioritization, improper allocation of resources (i.e. some were overloaded with work), and insufficient internal support.

Other potential barriers to change were identified during the implementation process. Learning the skills necessary to function in the new organization was one of the biggest challenges for Copley employees. The tendency to slip back into the old way of doing things was a concern voiced by many. Other challenges such as efficiently transferring knowledge and experience within the group, and management's ability to perform as more of a "coach" than a "player" were cited. Redundancy, where there is an overlapping of team responsibility was seen as another problem which Copley would try to avoid. Effective communication among the team members will be necessary in keeping redundancy to a minimum. Although many problems were identified by Copley so far, there was an acknowledgment that many more will be identified as the reengineering process continues.

IT Infrastructure
The existing Management information Systems of the old Copley were analyzed by OAT and many deficiencies were found. Most of these were inefficiencies in processing and reporting property data for the portfolios. OAT saw the restructuring of the existing IT system as important for the success of the new organization. Many saw the restructuring of IT as giving Copley a competitive advantage. The fact that IT was one of the four blocks (Information and Research Block), demonstrates the importance placed on it.
exact function of IT going forward, however, was still unclear. Copley acknowledged that it did not yet have the person with the background and experience necessary to head the IT block. Once this person was found, a more comprehensive analysis of the needed change in IT could be done.

Figure 9: Redesign Business Structure

<table>
<thead>
<tr>
<th>Redesign business structure</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reorganize processes according to analysis performed</td>
<td>√</td>
<td></td>
<td></td>
<td>Team approach implemented after the analysis.</td>
</tr>
<tr>
<td>Are activities cost effective?</td>
<td>√</td>
<td></td>
<td></td>
<td>Yes, in light of long term efficiencies.</td>
</tr>
<tr>
<td>Is individual’s reward system linked to performance?</td>
<td></td>
<td>√</td>
<td></td>
<td>Benchmarking had not yet been set but would be linked to performance.</td>
</tr>
<tr>
<td>Identify which processes to reorganize first by:</td>
<td>√</td>
<td></td>
<td></td>
<td>Gridlock prioritized processes and items to be changed.</td>
</tr>
<tr>
<td>Dysfunction</td>
<td>√</td>
<td></td>
<td></td>
<td>Yes, also prioritized by OAT.</td>
</tr>
<tr>
<td>Importance</td>
<td>√</td>
<td></td>
<td></td>
<td>Yes, prioritized by Gridlock.</td>
</tr>
<tr>
<td>Feasibility</td>
<td>√</td>
<td></td>
<td></td>
<td>Same</td>
</tr>
</tbody>
</table>

Reorganize Process According to Analysis
The processes at Copley were reorganized after a thorough analysis and process mapping took place. The decision was to create teams that were responsible for the entire process instead of just one or two tasks in the process. The team leaders were selected to be responsible for the various processes. The members of each team were selected after analyzing each employee's skills and core competencies. A careful matching was done on the basis of individual skills, knowledge, and compatibility in order to create the most effective combination of team members. The approval process was streamlined accordingly so that the teams were largely responsible for the day to day decision making within Copley.

Are Activities Cost Effective?
In the new structure, there will be efficiencies gained from the decrease in bureaucracy and the elimination of many checks and controls. As a result, the processes will be streamlined and become more cost effective than before. There will be a savings of both human and financial capital.

The activities involved in implementing the change process were cost effective. These costs were largely in the time (human capital) that they took to implement. It is anticipated that these costs will be recuperated in the companies added efficiency from the resulting streamlined processes.

Is the reward system linked to performance?
The rewards system was one of the few areas that Copley had yet to redesign. Copley realized the importance of linking the reward system to individual and group performance
in order to incentivize the teams and individuals. A performance-based reward system was anticipated for the new organization, but Copley had not yet developed a detailed plan for benchmarking (gauging performance) by the time the case was written.

**Identify which Processes to Reorganize First**

It was the responsibility of OAT and the Gridlock Team to prioritize the reorganization of each process. After OAT identified and analyzed the dysfunctional processes, the Gridlock Team ranked the implementation of each new process by the degree of importance to Copley. Also, the feasibility of implementing each process was assessed. Gridlock identified those processes which could be applied relatively quickly and those which would take more time to implement. The “quick fixes” were implemented immediately, and those that would take a greater deal of time were then prioritized by importance.

**Figure 10: Implement Redesigned Organization and Processes**

<table>
<thead>
<tr>
<th>Present w/ Qualifier</th>
<th>Present</th>
<th>Not Present</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implement Redesigned Organization and Processes</td>
<td></td>
<td>✓</td>
<td>Undergoing the transition process, transition team not as focused as others.</td>
</tr>
<tr>
<td>Measure the benefits and share learning</td>
<td></td>
<td>✓</td>
<td>Learning was shared by teams, and facilitated by transition team, benefits had not yet been measured</td>
</tr>
</tbody>
</table>

At the time the case study was finished, Copley was still working through the implementation processes. The “hands up process” in which the employees walked away from their old jobs and came back to their new team assignments, had just been completed. The teams were becoming acclimated to working in the new environment.

The Transition Team was formed in order to pursue and implement the new organizational structure which was formed by OAT. The team was still active when the case was finished and had not set a date for the official end of the transition phase. As mentioned in the case, the Transition Team lacked the feedback and guidance from Delta, since Delta was disbanded by time the transition period began. Some members of the Transition Team felt that the team was “too tired” and “too immersed” in the change process. Others, thought that the team lacked the focus and clarity of purpose that the other teams had. Regardless, the fundamental reorganization of Copley, was implemented and the teams were in place by the time the case was written.

**Measured Benefits and Shared Learning**

The main purpose of the restructuring was to find and generate new revenue, and increase client satisfaction with the performance of the company. If those two goals are met, the benefits of the reorganization are present and the change process would be worthwhile. The mechanisms for how Copley was to measure the customer satisfaction had yet to be determined. The task of measuring net revenue was more concrete and more easily accomplished, but it was too early to see changes in net revenue by the time the case was finished.
The teams were expected to share in the learning process both within the teams and with other teams. Regular transition update meetings were planned in which the teams could share learning experiences. Again, it was too early to measure, and no metrics had been determined.

**Figure 11: Characteristics and Results of Reorganization**

<table>
<thead>
<tr>
<th>Characteristics and Results of Reorganization</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tasks are Reunited with Group/Individual Responsible</td>
<td>√</td>
<td></td>
<td></td>
<td>Team members responsible for an entire process were put together.</td>
</tr>
<tr>
<td>Flexibility for Further Change</td>
<td>√</td>
<td></td>
<td></td>
<td>Process owners can make variations to meet demands</td>
</tr>
<tr>
<td>Efficient and Responsive Completion of Tasks</td>
<td></td>
<td>√</td>
<td></td>
<td>Not yet determined.</td>
</tr>
<tr>
<td>Checks and controls reduced</td>
<td>√</td>
<td></td>
<td></td>
<td>Fewer approvals and bureaucratic sign-offs.</td>
</tr>
<tr>
<td>Single point of contact</td>
<td>√</td>
<td></td>
<td></td>
<td>Team leaders communicate with clients.</td>
</tr>
</tbody>
</table>

**Tasks are Reunited with Those Responsible**
Characteristics of reengineering such as the reuniting of tasks with work groups and worker empowerment were present. With the team format, the tasks were reunited with those who performed them within the team. For example, the accountant of a particular portfolio was no longer in a different department, he/she was part of the team that was handling that portfolio.

**Flexibility for Further Changes**
The design of the new structure provides for flexibility and responsiveness to changes in the market and client demands. Since each “process owner” is able to make decisions without being second-guessed by senior management, each process is much more responsive. This allows for flexibility and variation as needed.

**Efficient and Responsive Completion of Tasks**
Theoretically, the team structure would lead to the efficient completion of tasks. At the time the case was written, it was too early to determine if tasks were performed more efficiently and responsively.

**Checks and Controls Reduced**
Checks and controls, which previously slowed the business processes were reduced in the new system. With the implementation of the new system, the elaborate approval process would be eliminated and the team leaders would have approval authority for most decisions made within a team. The new system appears to be more efficient, but has not been implemented yet.
**Single Point of Contact**
The new structure has also provided for clients to have a single point of contact with the team leaders. Previously, O'Connor was the single point of contact for many of Copley’s clients. Now, this responsibility is more efficiently spread among the team leaders. This will allow for more responsiveness to clients (O'Connor had to defer most questions to the portfolio manager’s anyway), and allow O'Connor and other senior management more time to run the organization. Although O’Connor will still be actively involved in maintaining client relations, the clients will be able to efficiently use the team leaders to obtain answers for specific portfolio or investment questions.

**Figure 12: Characteristics and Results of Empowerment**

<table>
<thead>
<tr>
<th>Characteristics and Results of Empowerment</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee power to make decisions</td>
<td>√</td>
<td></td>
<td></td>
<td>Yes, in team structure</td>
</tr>
<tr>
<td>Employee responsibility for decisions</td>
<td>√</td>
<td></td>
<td></td>
<td>Individuals and teams will be responsible for own performance.</td>
</tr>
<tr>
<td>Increased commitment and involvement in organization</td>
<td>√</td>
<td></td>
<td></td>
<td>Present so far in the design and implementation of change.</td>
</tr>
<tr>
<td>Greater effectiveness - more fully utilize brain power and creative aptitudes</td>
<td></td>
<td>√</td>
<td></td>
<td>Not yet determined.</td>
</tr>
<tr>
<td>Information shared among employees</td>
<td></td>
<td>√</td>
<td></td>
<td>Not yet determined, new set up conducive to information sharing.</td>
</tr>
<tr>
<td>Proper knowledge - training</td>
<td></td>
<td></td>
<td>√</td>
<td>Not yet determined.</td>
</tr>
</tbody>
</table>

**Employee Power to Make Decision**
One of the fundamental elements of the reengineering process at Copley was the implementation of employee empowerment. The team structure gave more decision making power to Copley employees. Before, decisions were passed through a multi-tiered chain of command, in the new organization, most decisions only needed the approval of the team leader or could be made by the team members themselves.

**Employee Responsibility for Decisions**
In the old system, there was a tendency to receive approval from senior management as a sort of transfer of responsibility. Since decision making power is present at lower levels in the new organization, the new structure does not allow for this deferral of responsibility. Employees will be more responsible because they are the ones making the decisions.

**Increased Commitment and Involvement**
Since the reengineering process was still in its primary stages, it was still early to see an increased commitment level by management and employees. Employee participation was critical in shaping the change process. The employees provided input on which the change teams based many of the redesign decisions. Employee involvement in the change process is indicative of future levels of involvement, and the new Copley should have a definite increase in employee commitment and involvement.
Greater Effectiveness
In the new structure, each team will “own” its process. Employees will be able to make decisions and take action more quickly. As with employee commitment, it was too early to see the change in employee effectiveness at the time the case was written, however, in theory the new structure will promote greater employee effectiveness.

Information Sharing
It is natural for team members to share information freely if they communicate frequently and have the same goals. Sharing information within teams is critical since some of the team members will have new clients and portfolios to manage. It will be necessary for team members to familiarize each other with the new responsibilities.

Sharing information between teams can be accomplished as long the as the teams do not consider each other competition, but members of the company team. If there is an adversarial relationship between teams, there may be difficulty in sharing information. IT will also play a role in the sharing of information as its exact function becomes more clearly established. This has yet to be seen in the case.

Proper Knowledge and Training
Working in a self-directed team will require additional training and knowledge for many employees. The company has sponsored events such as “team day” in which the new team members were introduced worked with consultants in learning the basics of team dynamics. Other training will likely come from working experience as the employees learn how to interact in the new corporate structure.

The New Business Group, will require new knowledge and skill sets in order to expand the scope of Copley’s business ventures. Some of these skills can be taught internally from employees sharing experience and knowledge. Other training and skills may come from outside experts.

<table>
<thead>
<tr>
<th>Characteristics and Results of IT</th>
<th>Present</th>
<th>Not Present</th>
<th>Present w/ Qualifier</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create new ways of working</td>
<td></td>
<td>√</td>
<td></td>
<td>New system not yet in place, but this is a desired outcome of the new IT.</td>
</tr>
<tr>
<td>Enables structural organizational changes</td>
<td></td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
<tr>
<td>Better communication skills</td>
<td></td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
<tr>
<td>Greater business understanding</td>
<td></td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
<tr>
<td>Easy information flow across departments</td>
<td></td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
<tr>
<td>Flexible business networks</td>
<td></td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
</tbody>
</table>
Often, IT is viewed a key aspect of the reengineering process. Many of the authors in the literature review have written that without IT, reengineering would not be able to take place. In the Copley case, however, it could be argued that reengineering was initiated first without a fully operational IT program. More specifically, the team structure and new business processes were outlined before there was a clear definition and direction for the IT program. In fact, by the time the research was done on the case, Copley was still wrestling with the exact role of IT in its change process. It was suggested that a more definitive role for IT will come from the specialists that will be hired to develop the IT block. These will be experts in the field of IT who will more fully understand its capabilities and potentials and will be substantially aid in defining its applications.

One application that Copley anticipated for IT (as mentioned in the case) was a more efficient system for tracking and updating portfolios for clients. This will not only create a structural upgrade within the company, but will also enable employee empowerment by providing a more efficient information system on which decisions can be based. This, would be an “information at your fingertips” application of IT, which would increase employee empowerment by increasing the knowledge base. Other anticipated functions of the IT system will be to provide useful economic and market forecast information which will allow Copley employees to bring more “value added” to portfolio management as well as have the necessary information when researching new business ventures.

The fact that Copley has chosen to redesign IT after the reengineering process had begun, indicates that IT may come as a result of BPR. In the Copley case, the reengineering process is more dependent on process orientation and the implementation of empowered, self-directed teams, rather than IT. Although IT may later add to the teams’ empowerment and effectiveness in making decisions, the reengineering process at Copley was focused and enabled mainly by the team structure, not IT.
To put the analysis into perspective, the following is the complete matrix in relation to the Copley case:

### Figure 14: Complete Matrix

<table>
<thead>
<tr>
<th>Characteristics/Definitions</th>
<th>As Applicable to Copley Case</th>
<th>Brief Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present</td>
<td>Not Present</td>
</tr>
<tr>
<td><strong>Forces for Change</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Market Conditions</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Customer Demands</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Increasing Competition</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Continuous Change</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Form Follows Strategy</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Candidates for reengineering</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies in deep trouble</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trouble up ahead</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Companies that want to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>continue peak performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Definitions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radical redesign of business along processes</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Fundamental</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Customer oriented</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Tremendous potential</td>
<td></td>
<td></td>
</tr>
<tr>
<td>breakthroughs in performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>The Players</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leader</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Process Owner</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Reengineering Team</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Steering Committee</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Reengineering Czar</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Steps in Implementation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create a Vision Focusing on Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Picture of “end state”</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Customer requirements</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Features of company’s most successful products</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Capabilities with worthwhile and defensible edge</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Include measurable objectives</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
Teams had specific objectives to accomplish with a time table

<table>
<thead>
<tr>
<th>Analyze Current Structure and Processes</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Target processes</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational issues</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Readiness of systems/leaders to change</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment of capability to operate under change</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determination of potential problems from change</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT infrastructure</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Redesign business structure</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reorganize processes according to analysis performed</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are activities cost effective - human/financial capital?</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is individual’s reward system linked to performance?</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identify which processes to reorganize first by:</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dysfunction</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Importance</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feasibility</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Implement Redesigned Organization and Processes | ✓       |         |         |
| Measure the benefits and share learning | ✓       |         |         |

<table>
<thead>
<tr>
<th>Characteristics and Results of Reorganization</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tasks are Reunited with Group/Individual Responsible</td>
<td>✓</td>
<td>Team members responsible for an entire process were put together.</td>
<td></td>
</tr>
<tr>
<td>Flexibility for Further Change</td>
<td>✓</td>
<td>Process owners can make variations to meet demands</td>
<td></td>
</tr>
<tr>
<td>Efficient and Responsive Completion of Tasks</td>
<td>✓</td>
<td>Not yet determined.</td>
<td></td>
</tr>
<tr>
<td>Checks and controls reduced</td>
<td>✓</td>
<td>Fewer approvals and bureaucratic sign-offs.</td>
<td></td>
</tr>
<tr>
<td>Single point of contact</td>
<td>✓</td>
<td>Team leaders communicate with clients.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Characteristics and Results of Empowerment</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee power to make decisions</td>
<td>✓</td>
<td>Yes, in team structure</td>
<td></td>
</tr>
<tr>
<td>Employee responsibility for decisions</td>
<td>✓</td>
<td>Individuals and teams will be responsible for own performance.</td>
<td></td>
</tr>
<tr>
<td>Increased commitment and involvement in organization.</td>
<td>✓</td>
<td>Present so far in the design and implementation of change.</td>
<td></td>
</tr>
<tr>
<td>Greater effectiveness- more fully utilize brain power and creative aptitudes</td>
<td>✓</td>
<td>Not yet determined.</td>
<td></td>
</tr>
<tr>
<td>Information shared among employees</td>
<td>✓</td>
<td>Not yet determined, new set up conducive to information sharing.</td>
<td></td>
</tr>
<tr>
<td>Characteristic</td>
<td>Status</td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>--------</td>
<td>--------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Proper knowledge - training</td>
<td>√</td>
<td>Not yet determined.</td>
<td></td>
</tr>
<tr>
<td>Create new ways of working</td>
<td>√</td>
<td>New system not yet in place, but this is a desired outcome of the new IT.</td>
<td></td>
</tr>
<tr>
<td>Enables structural organizational changes</td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
<tr>
<td>Better communication skills</td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
<tr>
<td>Greater business understanding</td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
<tr>
<td>Easy information flow across departments</td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
<tr>
<td>Flexible business networks</td>
<td>√</td>
<td>Same</td>
<td></td>
</tr>
</tbody>
</table>

**Summary**

The case study followed the individual items of the matrix closely, especially the Definitions and Characteristics section of the matrix. The change process at Copley had most of the characteristics of reengineering as identified in the literature review. There were, however, some notable exceptions. One was that Copley strayed from the traditional use of IT as an enabler in the reengineering process. By the time the transition process was nearly over, there was still not a clear picture of the new function of IT. Copley, however, did make provisions for creating a new system of IT. Since many saw IT as a feature that would give the company a competitive edge, IT was one of the four “blocks” of the new organization. The expert or experts that would run the IT block had not yet been found.

The rewards system was another component that had yet to be concretely defined. Copley planned to link rewards to performance but needed a clearer picture of how to benchmark performance in certain groups. Not all of the benchmarking could be done based on revenue generated. Some departments such as IT and new business were expected to be cost centers for indefinite period. As a result, the exact method of measuring performance had not yet been established.

Other aspects of case study were fairly consistent with those identified in the matrix. Employee empowerment was created by forming decision making teams that were responsible for entire processes. There was a careful analysis performed on each of the processes to be redesigned. Copley assessed its core competencies and current skills sets and tried to match those with the new structure. The implementation of the new structures was prioritized, and changes that could be made quickly which would facilitate the implementation of forthcoming processes were identified.

The following chapter will highlight some of the main points of the thesis. These are points from the literature review, case study, and analysis which have particular importance to BPR.
CHAPTER FIVE

CONCLUSION

Thus far, theoretical and practical aspects of Business Process Reengineering (BPR) have been presented. The following are some conclusions from the literature review, case study, and analysis. Some conclusions are specific to the thesis, others have general applications to BPR.

Move from Function to Process Orientation
One of the critical changes from BPR in the case was the movement away from the Copley's previous function orientation. Copley's four organization blocks: New Business, Investment Management, Information & Research, and Corporate Management are the core processes within the organization. Each block is comprised of team members which together are capable of performing an entire process. They are able to "cut through" what were the functions of the old Copley such as accounting, marketing, and approval. Compiling the previous functions into one working group, the Blocks form entire processes. The following diagram visually expresses the idea:

Figure 15: Process-Oriented Structure:
Although each block may not use every function from above, the blocks use the functions necessary to complete the processes.

**Information Technology in BPR**

The Copley case followed the basic sequence of BPR as outlined in Chapter Two. It first had a need or force for change, Copley then designed and implemented BPR. Only after it began the implementation of BPR, could it focus on achieving the benefits of BPR.

The function of IT in the case illustrates this point. When the case was written, a clear role of IT had yet to be defined. Copley had assessed, analyzed, and redefined its core business processes. It then created a team oriented structure around the new core processes. The teams then needed to work through the logistics of each new process. This needed to be accomplished before the needs of the new IT system could be identified. For Copley, it was impossible to redesign the IT system before the core business processes were redesigned by BPR. The core processes had to be developed first, before Copley could determine how IT would support and enhance these processes.

The role of IT in the Copley case differs from Hammer and Champy's theory of IT in BPR. Hammer and Champy identify IT as an aspect of reengineering which enables the reengineering process to occur. In the case, Copley began BPR before the new IT system was in place. This was done out of necessity; Copley needed to reengineer first in order to identify the needs of IT.

The difference between the case and Hammer and Champy's theory, presents a "which comes first, the chicken or the egg" dispute. Hammer and Champy view IT as having to occur first before BPR is complete. The case presents BPR as the primary mover. It is the "chicken" which lays the IT "egg". This occurs only after the "chicken" (BPR) has developed and matured enough to produce the "egg" (IT).

**Empowerment and BPR**

Similarly, "empowerment" in the case study differs from thoughts in the literature review. The literature review stated that empowerment, like IT, is an "enabler" of BPR. Again, the case has shown is that BPR is necessary to redesign the new structure and processes. Empowerment is the goal as Copley works through the *details* of how to interact and the operational mechanics of the new structure.

**Vision Leads BPR**

A clearly defined vision is critical for the success of BPR. The vision must be clear and well communicated throughout the organization. A clearly communicated vision of the new organization provides direction for the change process. Diagnosis and self-analysis are ineffectual unless there is vision to provide direction. Without vision, BPR would be an aimless mission destined to fail. It would be characterized by confusion and the results would not be sustainable.
**Long-term Process**

BPR is not just a reshuffling of the pieces of an organization. BPR is a comprehensive change that involves careful self-assessment and analysis. BPR fundamentally changes how employees interact and function within the organization. This type of change requires a long term commitment from both management and employees.

When the case study was finished, Copley was in a position in which the logistics and details of the organizational change needed to be worked through. Management teams such as Delta, OAT, and Gridlock were essential in the early steps of BPR. They helped formulate the team structure and developed the new processes. The specifics of how the employees, teams, and blocks interact with each other then had to be established. Unfortunately, management cannot wave the “magic wand” of reengineering and bypass the hard work involved in figuring out the details. This will take time and continuous effort on the part of both management and employees. In fact, many companies realizing the long term nature of BPR, budget three to seven years for its implementation.

The thesis has shown that BPR is a fundamental, organizational change where a move from function-orientation to process-orientation is necessary. Before BPR can be successfully implemented, there must be a vision of what the organization will be after the reengineering process. Vision must be primary before any analysis or process redesign can occur. With empowerment as a goal, BPR is more likely to produce heightened results. Information Technology is often an important part of BPR, but is not the driver. BPR takes time and hard work for the whole organization. BPR is a long term process; it is an ongoing process that should be continually appraised and renewed. If not, results from BPR will only be short-lived. A quote from Winston Churchill aptly sums this view:

> “Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.”

.....Winston Churchill on Lord Mayor’s day, 1942.
APPENDIX B

O’Connor’s Fourteen Assumptions About the Environment

1. Investors are customers and developer partners are suppliers.

2. Investors will demand more attention, servicing, control and autonomy.

3. Change is accelerating, while our ability to change is decelerating.

4. Decision-making must be faster to accomplish goals and produce desired results.

5. Sourcing may be in large part developer oriented, but cannot be developer driven or developer dependent.

6. Clients need to see a dramatic change in approach to determine if Copley is ready to serve them through the 1990's.

7. Our core and non-core partners are changing. They are growing older, less wealthy, less entrepreneurial and less willing to take risks. Many of the larger partners have redefined their role from development and entrepreneurial organizations to that of management/service organizations.

8. Development will play much less of a role in real estate financing throughout the 1990's.

9. The need for a diversified asset/portfolio management service by large investors, whether they be corporations or pension funds, will continue and will probably accelerate in the future.

10. Securitization is rapidly changing and here to stay.

11. We still have a lot of good will in the investors’ industry.

12. Copley has a set of unique people, skills and relationships that give us a strong competitive edge in a narrow segment of the market.

13. Properties are becoming more fungible, more commodity like.

14. Real estate sources of funds will continue to diversify.


APPENDIX C

Copley Real Estate Advisors Mission Statement

Copley is an industry-leading, customer-driven real estate investment services company which provides innovative, differentiated products and services to meet the changing goals of its customer.

Copley Real Estate Advisors Value Statements

- Customer Driven: “It’s the Customer, Stupid.”
- Innovative: “Adapt like a pioneer.”
- Execute with Urgent Determination: “What are you waiting for.”
- Reward Courage and Achievement: “Dare to be exceptional.”
- Passion for Excellence: “Think, plan communicate, do it, learn, and reinvent.”
- Seek Strength from Diversity: “Value new ideas, different people and approaches.”
- Act with Integrity always: “No spin.”
APPENDIX D

New Copley Organizational Structure- Effective April 1994

Organizational Structure
Visionary (and Recommended)
BIBLIOGRAPHY


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