

Business Process Reengineering-

Chapter 1

An Overview

Business Process Reengineering-

What is BPR?

- Reengineering is the fundamental rethinking and redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed.

(Hammer & Champy, 1993)

BPR is Not?

- Automation
- Downsizing
- Outsourcing

Business Process Reengineering is a management approach that examines aspects of a business and its interactions, and attempts to improve the efficiency of the underlying processes. It is a fundamental and radical approach by either modifying or eliminating non-value adding activities.

BPR Versus Process Simplification

Process Simplification

**Incremental Change
Process-Led
Assume Attitudes &
Behaviours
Management-Led
Various Simultaneous
Projects**

Process Reengineering

**Radical Transformation
Vision-Led
Change Attitudes &
Behaviours
Director-Led
Limited Number
of Initiatives**

BPR Versus Continuous Improvement

Continuous Improvement

**Incremental Change
People Focus
Low Investment
Improve Existing
Work Unit Driven**

Process Reengineering

**Radical Transformation
People & Technology Focus
High Investment
Rebuild
Champion Driven**

What is a Process?

- ★ A specific ordering of work activities across time and space, with a beginning, an end, and clearly identified inputs and outputs: a structure for action.

(Davenport, 1993)

What is a Business Process?

- ★ A group of logically related tasks that use the firm's resources to provide customer-oriented results in support of the organization's objectives

Why Reengineer?

★ Customers

- Demanding
- Sophistication
- Changing Needs

★ Competition

- Local
- Global

★ Change

- Technology
- Customer Preferences

Why Organizations Don't Reengineer?

- ★ Complacency
- ★ Political Resistance
- ★ New Developments
- ★ Fear of Unknown and Failure

In 1990, Michael Hammer, a former professor of computer science at the Massachusetts Institute of Technology (MIT), published an article in the Harvard Business Review, in which he claimed that the major challenge for managers is to obliterate non-value adding work, rather than using technology for automating it (Hammer 1990). This statement implicitly accused managers of having focused the wrong issues, namely that technology in general, and more specifically information technology, has been used primarily for automating existing work. rather than using it as an enabler for making non-value adding obsolete.

Business Process Reengineering- History

Hammer's claim was simple: Most of the work being done does not add any value for customers, and this work should be removed, not accelerated through automation. Instead, companies should reconsider their processes in order to maximize customer value, while minimizing the consumption of resources required for delivering their product or service. A similar idea was advocated by Thomas Davenport and J. Short (1990), at that time a member of the Ernst & Young research center, in a paper published in the Sloan Management Review the same year as Hammer published his paper.

This idea, to unbiased review a company's business processes, was rapidly adopted by a huge number of firms,

Business Process Reengineering- History

which were striving for renewed competitiveness, which they had lost due to the market entrance of foreign competitors, their inability to satisfy customer needs, and their insufficient cost structure. Even well established management thinkers, such as Peter Drucker and Tom Peters, were accepting and advocating BPR as a new tool for (re-)achieving success in a dynamic world. During the following years, a fast growing number of publications, books as well as journal articles, was dedicated to BPR, and many consulting firms embarked on this trend and developed BPR methods. However, the critics were fast to claim that BPR was a way to dehumanize the work place, increase managerial control, and to justify downsizing, i.e. major reductions of the work force (

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Greenbaum 1995, Industry Week 1994), and a rebirth of Taylorism under a different label.

Despite this critique, reengineering was adopted at an accelerating pace and in 1993, as many as 65% of the Fortune 500 companies claimed to either have initiated reengineering efforts, or to have plans to do so. This trend was fueled by the fast adoption of BPR by the consulting industry, but also by the study *Made in America*, conducted by the MIT, that showed how companies in many US industries had lagged behind their foreign counterparts in terms of competitiveness, time-to-market and productivity.

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Definition of Business Process Reengineering

While there are almost as many definitions of BPR as there are authors publishing on the topic, we can identify multiple aspects that they have in common. Let us first review a number of definitions.

Hammer and Champy (1993) define BPR as

”the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed”. Thomas Davenport (1993), another well-known BPR theorist, uses the term process innovation, which he says

”encompasses the envisioning of new work strategies,

Definition of Business Process Reengineering-

the actual process design activity, and the implementation of the change in all its complex technological, human, and organizational dimensions”. Additionally, Davenport (ibid.) points out the major difference between BPR and other approaches to organization development (OD), especially the continuous improvement or TQM movement, when he states:

”Today firms must seek not fractional, but multiplicative levels of improvement – 10x rather than 10%.”

Finally, Johansson et. al. (1993) provide a description of BPR relative to other process-oriented views, such

Definition of Business Process Reengineering-

as Total Quality Management (TQM) and Just-in-time (JIT), and state:

”Business Process Reengineering, although a close relative, seeks radical rather than merely continuous improvement. It escalates the efforts of JIT and TQM to make process orientation a strategic tool and a core competence of the organization. BPR concentrates on core business processes, and uses the specific techniques within the JIT and TQM ”toolboxes” as enablers, while broadening the process vision.”

In order to achieve the major improvements BPR is seeking for, the change of structural organizational variables, and other ways of managing and performing

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work is often considered as being insufficient. For being able to reap the achievable benefits fully, the use of information technology is conceived as a major contributing factor. While IT traditionally has been used for supporting the existing business functions, i.e. it was used for increasing organizational efficiency, it now plays a role as enabler of new organizational forms, and patterns of collaboration within and between organizations. BPR derives its existence from different disciplines, and we can identify four major areas being subjected to change in BPR - organization, technology, strategy, and people - where a process view is used as common framework for considering these dimensions.

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The approach can be graphically depicted by a modification of "Leavitt's diamond" (Leavitt 1965). Business strategy is the primary driver of BPR initiatives and the other dimensions are governed by strategy's encompassing role. The organization dimension reflects the structural elements of the company, such as hierarchical levels, the composition of organizational units, and the distribution of work between them. Technology is concerned with the use of computer systems and other forms of communication technology in the business. In BPR, information technology is generally considered as playing a role as enabler of new forms of organizing and collaborating, rather than supporting existing business functions.

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The people, or human resources dimension deals with aspects such as education, training, motivation and reward systems. The concept of business processes - interrelated activities aiming at creating an value added output to a customer - is the basic underlying idea of BPR. These processes are characterized by a number of attributes: Process ownership, customer focus, value-adding, and cross-functionality.

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Business Process Reengineering-Key Steps

The key steps involved in a BPR are:

1. Defining the purpose and goal of the BPR project; 2. Defining the scope of the project so as to include (or exclude) activities; A flowchart of the activities can assist to define the scope of the project;
3. Identifying the requirements that will meet the needs of the clients;
4. Assess the environment - the position of competitors, prospective changes in technology, legislation or socio-economic factors;
5. Redesign the business processes and activities in light of the above;

Business Process Reengineering-Key steps

6. Implement the redesigned processes;
 7. Monitor the success/ failure of the redesign.
- Business process reengineering is also known as BPR, Business Process Redesign, Business Transformation, Process Change Management.

Key Steps

Select The Process & Appoint Process Team

Understand The Current Process

Develop & Communicate Vision Of Improved Process

Identify Action Plan

Execute Plan

Applications of Business Process Reengineering

The main drivers of Application Re-engineering are: New services or business opportunities
Business Process Re-engineering
Gaining and maintaining competitive edge
Aligning inflexible legacy systems with contemporary business needs
Difficulty in maintaining old systems on account of lack of vendor support

We re-vision your application taking into consideration the following: The-business problems within the present mode of operation.

Business objectives

Processes that will be served by the re-engineered applications.

Stakeholders who will benefit from the effort.

Essence of Business Process Reengineering

Business Process Reengineering (BPR) relies on a mind set that is somewhat apposed to the ideals of those used in continuous process improvement methods. To highlight this if look at the BPR practice as it literal extreme, reengineering assumes the current process is inappropriate, the process is failing - it's broke, get rid of it. Simply start over from scratch. The 'clean slate' perspective enables the designers of business processes to disassociate themselves from current process, and focus on designing a new process. It is a conceptual discipline; it involves projecting yourself into the future and asking yourself: what should the process look like? What do my customers want it to look like? What do other employees want it to look like? How do best-in-class companies do it?

Essence of Business Process Reengineering

What might we be able to do with new technology?

The extreme contrast between continuous process improvement and business process reengineering lies in where you start

The process begins with defining the scope and objectives of your process re-engineering project, then a learning process undertaken (with your customers, your employees, your competitors and non-competitors, and with new technology).

Once this knowledge base is developed, you can create a vision for the future and design/model the new business processes.

Given the definition of the "to be" state, you can then create a plan of action based on the gap between your current processes, technologies and structures, and where you want to go. It is then a matter of implementing your solution.

The Three 'R' of Business Process Reengineering

- 1. Rethink:** This phase requires examining the organizations current objectives and how they will improve
- 2. Redesign:** This phase requires analysis of the way the organization produces the product or services it sell
- 3. Retool :** This phase requires through evaluation of the current use of advanced technology

Following are the requirement

- Identify Critical process
- Strong leadership
- Cross functional team
- Information technology
- Clean slate philosophy
- Process Analysis

Reengineering in the service Industry

Following are some of the salient features

- Make the customer the starting point for change
- Design in light of organizational goals
- Restructure to support front line performance

Impact of reengineering on the service Industry

1. The human Dimension
2. The work process dimension
3. The technology dimension

Quality & Reengineering

Reengineering is not completely different from total quality principles. They differ in number of ways

- 1 Management Involvement
2. Intensity of Team members involvement
3. Improvement goals
4. Implementation Approach
5. Magnitude of organizational change
6. Extent of Focus
7. Dependence upon information system

Benefits of Reengineering

1. Organization can achieve radical changes in performance
2. It boosts competitiveness in the operations network
3. Encourages to abandon conventional approach
4. Organization can transformed into marketing organization that focus on customer requirement
5. Radically new organizational design
6. Create more challenges & & more rewarding jobs

Limitations of Reengineering

1. It is not a panacea . Like any other management approach ,how you apply it makes a difference.
2. It is not simple or easily done
3. Moderate gains that better fit corporate strategy
4. Significant process improvement cannot be realized without use of Information technology
5. It is not enough if a firm improves its cross functional processes but also processes within each functional areas must be improved.
6. The best understanding of the process often lies with the people.

How do you Reengineer your success

1. Create a vision :Before corporates reengineer ,they dream a vision of what they want to achieve
2. Pick the process: Picking process for reengineering is critical
3. Find the facilitator:The employees should feel that they trust the person ushering in the changes
4. Manage the Change
5. Reengineering is a particular way of using our minds

Why Reengineer fails?

- Do not reengineer but say that you are
- Do not focus on processes
- Spend lots of time on analysis
- Proceed without strong executive leadership
- Be timid in redesign
- Go directly from conceptual design to implementation
- Reengineer slowly
- Place some aspects of business off limits
- Adopt conventional implementation style
- Ignore concerns of people

End Of

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