

## BPR Management Strategy

### 9.1 **Introduction**

Business process re-engineering is a business management strategy, originally pioneered in the early 1990s, focusing on the analysis and design of workflows and business processes within an organization. BPR aimed to help organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors. In the mid-1990s, as many as 60% of the Fortune 500 companies claimed to either have initiated reengineering efforts, or to have plans to do so.

BPR seeks to help companies radically restructure their organizations by focusing on the ground-up design of their business processes. According to Davenport (1990) a business process is a set of logically related tasks performed to achieve a defined business outcome. Re-engineering emphasized a holistic focus on business objectives and how processes related to them, encouraging full-scale recreation of processes rather than iterative optimization of subprocesses. Business process re-engineering is also known as business process redesign, business transformation, or business process change management.

### 9.2 **Private Sector Techniques**

Business process re-engineering (BPR) began as a private sector technique to help organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors. A key stimulus for re-engineering has been the continuing development and deployment of sophisticated information systems and networks. Leading organizations are becoming bolder in using this technology to support innovative business processes, rather than refining current ways of doing work.

### 9.3 **Reengineering Work: Don't Automate, Obliterate,**

In 1990, Michael Hammer, a former professor of computer science at the Massachusetts Institute of Technology (MIT), published the article "Reengineering Work: Don't Automate, Obliterate" in the Harvard Business Review, in which he claimed that the major challenge for managers is to obliterate forms of work that do not add value, rather than using technology for automating it.[3] This statement implicitly accused managers of having focused on the wrong issues, namely that technology in general, and more specifically information technology, has been used primarily for automating

existing processes rather than using it as an enabler for making non-value adding work obsolete.

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 inability to satisfy customer needs, and their insufficient cost structure[citation needed]. 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, were 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, and a rebirth of Taylorism under a different label.

Despite this critique, reengineering was adopted at an accelerating pace and by 1993, as many as 60% 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*,[6] conducted by MIT, that showed how companies in many US industries had lagged behind their foreign counterparts in terms of competitiveness, time-to-market and productivity.

In the early 1990's, Michael Hammer and James Champy published a book, "Reengineering the Corporation", that stated that in some cases, radical redesign and reorganization within a company were the only way to reduce costs and improve service quality. To this end, they said, information technology was the key element for allowing this to happen.

Hammer and Champy said that most large companies made (now invalid) assumptions about their goals, people and technology that were impacting the workflow. They suggested seven principles that could be used to reengineer and help streamline workflows, thus improving quality, time management and cost.

Hammer and Champy suggested the following seven principles in their book.

- Organize around outcomes, not tasks.
- Identify all the processes in an organization and prioritize them in order of redesign urgency.

- Integrate information processing work into the real work that produces the information.
- Treat geographically dispersed resources as though they were centralized.
- Link parallel activities in the workflow instead of just integrating their results.
- Put the decision point where the work is performed, and build control into the process.
- Capture information once and at the source.

What does this mean in simpler language? Essentially, for a successful BPR effort, it is important to look at all the tasks that are working to achieve the same goal. This exercise can then allow several jobs to be combined into one. In addition, parallel processes leading to the same outcome should be connected within the process rather than just combining results at the end. Also, it is important to look at all available resources and place the actual work where it makes the most sense.

To make the process most efficient, the power to make decisions regarding it should be given to the people performing the process and any unnecessary control systems should be eliminated. Instead of having extra processes to record information relating to the process, a resource within the process should provide all necessary data to increase accuracy and reduce redundancy.

#### **9.4 Historical Development after 1995**

With the publication of critiques in 1995 and 1996 by some of the early BPR proponents[citation needed], coupled with abuses and misuses of the concept by others, the reengineering fervor in the U.S. began to wane. Since then, considering business processes as a starting point for business analysis and redesign has become a widely accepted approach and is a standard part of the change methodology portfolio, but is typically performed in a less radical way than originally proposed.

More recently, the concept of Business Process Management (BPM) has gained major attention in the corporate world and can be considered as a successor to the BPR wave of the 1990s, as it is evenly driven by a striving for process efficiency supported by information technology. Equivalently to the critique brought forward against BPR, BPM is now accused[citation needed] of focusing on technology and disregarding the people aspects of change.

The concept of business process reengineering (BPR) is to rethink and break down existing business processes. This allows a company to reduce costs and improve productivity through newer, more efficient processes. It is important to remember however, that though there are instances where this is necessary, business process reengineering is not without its disadvantages. This makes it vital to weigh your decision carefully. One of the most obvious adverse effects of a company's decision to reengineer is a lowered employee morale. Most people are vary of change and do not manage to adapt to it easily. This aspect needs to be kept in mind when trying to make the decision to go through with the activity.

### **9.5 How To Implement Business Process Reengineering In Your Business**

The following steps (Davenport, 1992) can help BPR realize its core principles of customer satisfaction, reduced costs of business and increased competitiveness.

#### **1. BUSINESS VISION AND OBJECTIVES**

Any BPR activity needs to begin with a clearly defined and measurable objectives. Whether the goal is reducing costs, improving quality of product, or increasing efficiency, the framework for what needs to be achieved has to be decided upon at the outset, in line with the company's vision and mission.

#### **2. IDENTIFICATION AND SLACKING PROCESSES**

Once a clear goal is in mind, all processes need to be studied and those seen as 'slacking' or that can be improved need to be identified. Among these, those processes with direct impact on the company's output or those that clash with the company's mission become part of the 'red' list. This clear identification makes the difference between BPR success and failure.

#### **3. UNDERSTAND AND MEASURE THE 'RED' PROCESSES**

With a list of slacking processes in hand, it is imperative to identify how they were identified as such. Are they taking too much time to complete? Is the quality of the outcome being compromised? Whatever the issue, each process must be judged objectively either against industry standards or ethically obtained competitor best practices.

#### **4. INFORMATION SYSTEM AND TECHNOLOGY CAPABILITIES**

An efficient and relevant IT system is an essential BPR enabler. Without such a system, it is not possible to keep a check on all factors affecting the change. Before setting out on a radical BPR activity, it is vital to set in place information systems that can deal with the magnitude of the change.

## 5. DESIGN, BUILD AND TEST THE NEW PROTOTYPE

Before any new product is launched, a prototype is tested out. A failure at a testing stage should never be implemented at a larger scale. BPR projects fail more often than not for a variety of reasons but a basic reason is the inability to identify and accept any limitations at the testing stage. Among other factors, both the management's attitude towards the new way of work and the employees' outlook towards the change should be carefully assessed.

## 6. ADAPTING THE ORGANIZATION

Managing change brought about by BPR activities is the final effort towards a successful project. Providing updated documentation, organizational structures, governance models as well as updated charts of authority and responsibility leave little room for confusion and allow a smooth transition into the new way of work.

Business process reengineering is a radical change activity that cannot be repeated if it goes wrong the first time. It is often a high risk activity that involves monetary investment and a risk of demotivated employees. It is essential to have buy in all the way from top management down and it should have a broad functional scope.

### **Examples SOME FAMOUS EXAMPLES OF BUSINESS PROCESS REENGINEERING FORD**

In his suggestions to Ford, Michael Hammer proposed something radical: Eliminate the invoice. In the new scenario, a buyer no longer needed to send a copy of the purchasing order form to the creditor administration. Instead, he registers an order in the online database. When the items appear at the store, the storekeeper check whether these correspond to the purchase order form in the system. In the old system he did not have access to this form. If the items match the order, he accepts them and registers this in the computer system. If they do not, the items are returned. Hammer reported that Ford benefited drastically from this change with an almost 75% decrease in workforce in the accounts payable department.

## **TACO BELL**

Taco Bell reimagined their business, focusing more on the retail service aspect and centralizing the manufacturing area. The K-Minus program was created and the meat, corn shells, beans, lettuce, cheese and tomatoes for their restaurants were now prepared in central commissaries outside the restaurant. At the restaurants, the prepared ingredients are assembled when ordered by a customer. Better employee morale, increased quality control, fewer accidents and injuries, bigger savings and more time for focusing on customer business processes are some of the successes of the new way of work. Taco Bell has gone from being a \$500 million company in 1982 to a \$3 billion company (Early 1990s).

## **HALLMARK**

Hallmark used to spend 3 years in bringing new products to the market. With more niche markets identified Hallmark executives were convinced that the product development process needed to be redesigned. Using reengineering, the goal was set to change cycle time to one year. They discovered to their surprise that two thirds of the product cycle was spent on planning and conceptualizing the card rather than on printing and production rework as had previously been thought. The concept spent 90% time waiting for a creative staffer to complete a new iteration till it was eventually finalized, In 1991, a new line of cards was brought to market in 8 months, ahead of schedule, by creating a cross functional team for product development.

Although there have been many BPR success stories, the process became somewhat unpopular in the late 1990s. There were many organizations who went through the attempts to redesign processes but did not manage to reap any of the myriad benefits promised. So it is essential to plan carefully before undertaking this exercise. First and foremost, a business problem needs to be identified. Are we manufacturing at higher costs than our industry? Is there a newer way of work that we have not brought into our processes? Do our processes seem overly complex? Are too many people doing too many similar things? After setting clear objectives and securing support from all levels of management within the company, it is important to approach the process as one of continuous learning and to keep an eye on new and emerging problems as well the existing way of work. The success of any BPR initiative hinges on how deeply a process improvement mindset is created and nurtured by both management and the process owners themselves.