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Business Process Reengineering

A Radical change offering specific recommedations

ABSTRACT

This paper focuses on Reengineering. Business Process Reengineering is the fundamental rethinking and radical deisgn of business process to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quantity, service and speed. BPR, as short-term efficiency exercise, is often used by companies on the brink of disaster to cut costs and return to profitability. The author, taking the cases of sample companies, suggests to apply the modern BPR solutions to the companies.

1. THE CONCEPT

The concept of reengineering traces its origins back to management theories developed as early as the nineteenth century. The purpose of reengineering is to *"make all your processes the best-in-class."* Many firms today from IBM to tiny firms are reengineering their work process in order to compete better, faster and more efficiently in a global marketplace. Two experts, Michael Hammer and James Champy, define Business Process Reengineering as the *"the fundamental rethinking and radical design of business process to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service, and speed"*. Hammer and Stanton claim that reengineering is about making sensational, not marginal, leaps in performance. Reengineering is not about improving the status quo; it is about getting rid of the status quo and starting all over again by improving processes.

BPR is often used by companies on the brink of disaster to cut costs and return to profitability. The danger is that during this process the company may slash its capacity for future growth. To reap lasting benefits, companies must be willing to examine how strategy and reengineering complement each other — by learning to quantify strategy (in terms of cost, milestones, timetables); by accepting ownership of the strategy throughout the organization; by assessing the organizations current capabilities and processes realistically; and by linking strategy to the budgeting process. Otherwise BPR is only a short-term efficiency exercise.

2. BPR: MANAGEMENT AND EM PLOYEES

BPR helps firms to eliminate unnecessary activities and steps, thus leads to eliminating employee requirement.

BPR should have the full support of top management to succeed. For its

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If Shortage of Employees is Expected.....	- Hire new employee - Offer incentives for postponing retirement - Rehire retired employees on part time basis - Attempt to reduce turnover - Bring in overtime for present staff - Subcontract work to another company - Hire temporary employees - Re-engineer to reduce needs
If a surplus of employees is expected.....	- Do not replace employee who leave - Offer incentives for early retirement - ransfer or reassign excess employees - Use slack time for employees training - Reduce workload - Lay-off employees
Source : Cythis D. Fisher, et al., Human Resource Management, Houghton Miffin, 197, pp. 114	

success, commitment of management and employees to new reengineered jobs is must. The technological change that ignores people who made it succeed is doomed to fail. Managers in a company undergoing reorganization must work to quell the fears of employees and resistance to change.

Once the [reengineering] plan is in place, you've got to pull out the stops and execute it. One cannot live in limbo between what you used to do and what you're going to do. Otherwise, the dramatic results are sacrificed; people lose their focus, and reengineering slips into process improvement. Employees may be enthusiastic about reengineering during the initial phases if they view it as a "win- win" situation. Some companies experience resistance in later stages when employees begin to harbor doubts about the impact of reengineering, and managers are forced to adopt a more "insistent" policy. Managers in the organizations after reengineering are compared to coaches. They do not order; they guide. They do not direct the work of others; they coordinate, facilitate and empower.

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3. BREAKING DOWN ORGANIZATIONAL BARRIERS

Service organizations can put their professed commitment to customer satisfaction into action by placing the customer at the center of the reengineering process. Service workers are often unable to satisfy the customer because they must follow strictly defined rules, and they lack the authority to make exceptions or the resources to complete a transaction.

Robert Janson points to three basic principal that provide the foundation for service organizations seeking to reengineer:

1. Make the customer the starting point for change — by identifying customer wants and creating the infrastructure to support these expectations.

2. Design work processes in light of organizational goals
3. Restructure to support front-line performance.

When IBM started reengineering in 1992, the guiding principle was to become more customer-centered. Twelve customer relationship processes were identified and used as a basis for the reengineering project. One example is "solutions delivery": a contract between IBM and the customer for a complete IT system, including hardware, software, technical support, consulting services and third party products. The redesigned process moved the responsibility for pricing to the case team, who used ''pricing tool" software. This eliminated a nearly two-month delay that formerly occurred when pricing was referred to IBM headquarters.

4. THE INDIAN CASE OF BPR

- **BPR at Amtrex Appliances**

Amtrex Appliances, based in Ahmedabad is a manufacturer of room air conditioners. The company has a technology tie-up with Hitachi of Japan and exports air conditioners to Fedders of USA. Amtrex compete in the packaged and room air conditioner segment of the air conditioner market. Amtrex faced a host of internal problems like wastage of time, low satisfaction in employees, no ownership of processes and complexity in transactions. The CEO of Amhex initiated the project on BPR. They focused on Supply chain, customer service chain and the innovation chain to initiate redesign. They studied processes used by competitors and decided to adopt a similar process. They selected process owners and provided autonomy to them. The company was restructured to reflect critical processes. The new structure was flatter with the elimination of middle management levels. To support BPR effort they installed enterprise wide information system, The Company is very satisfied with the result it has achieved so far. The critical factors of success of BPR at Amtrex include highly motivated and committed managers, highly effective process, progressive and professional culture of the company with the support and drive of CEO.

- **Process Reengineering at KG Toots Company**

KG tools engineering, which is traditionally being operated as a public sector engineering company producing machine tools, initiated process reengineering to reorganize, rebuild and upgrade its current technology. This was necessitated by a number of recent changes that had occurred recently. The process reengineering was aimed at making the company leaner, effective and a more aggressive player in the industry and to capitalize on new opportunities in niche areas like CNC machining centers. It was reinvent KG to be competitive in a drastically changing market place, The five year process of' reengineering was initiated in 1993 to improve efficiencies and deliver high levels of customer satisfaction. The benefits achieved by the end of 1999:

i. annual saving of Rs.100 million
ii. more than 80 percent of orders completed on the from end

iii. repair cost completed to the tune of 60 per cent

iv. engineering costs of machine installation reduced by 30 per cent

v. reduction ill workforce by 15 per cent

5. ALTERNATIVES TO BPR

Reengineering focuses on changing existing business practices. This "impairs the entire reengineering process, as it stifles innovation in finding new ways to compete." BPR falls short when dealing with new products or services, since "any strategic objectives achieved are simply the by- product of improved productivity. Strategic reengineering addresses this shortcoming by focusing on designing the organization to compete. This is accomplished by undertaking strategic initiatives at the start of the reengineering process. These initiatives seek to provide understanding of the markets, competitors, and the position of the organization within the industry. Critical success factors required to compete are identified and prioritized. Only then are individual business processes addressed.

Critics of BPR argue that it is often used as a euphemism for "denominator reduction." One may view productivity as a function of revenue or sales divided by the number of people required to generate the revenue. BPR increases productivity by cutting costs but does nothing to increase the revenues or sales. BPR is often undertaken by firms "playing catch up" to avoid disaster, but it does nothing to "regenerate core strategies," which can lead to a real growth in revenues. Other critics warn that although BPR may lead to a competitive advantage, it is destined to be short- lived. When one company lowers its costs of doing business, other companies will immediately follow, and the competitive advantage is lost. One writer warns that the reason why reengineers are so dangerous is that, due to the obsession with bench-marking, "all firms in an industry start converging on a point of no difference and thus of no profit."

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