Business Process Reengineering

Business Process Redesign
Definition of BPR

- The analysis and design of work flows and processes within and between organizations.
Aspect of BPR

- Revolutionizing the way they were doing business
- Radically redesigning or reengineering key business activities
- They apply the concept of process which is input-output activity not functional
- Exploiting IT to redesign the process.
How BPR developed (factors)?

1- Competitiveness:
Revenue – Cost = profit/loss

2- Information Technology: reduced the cost of coordination and across organizational boundaries

3- Strategic management concentrating on improving performance, BPR connects with the business turnaround\spin-off

4- Organizational rethinking:
1- **Transformation**: BPR cause quantum leap in business performance.

There spirit of revolution more than evolution.

- **Frequency**: One shot
- **Scope**: Broad, cross-functional
- **Participation**: Top-Down
- **Risk and rewards**: High
- **Type of change**: Structure, culture roles
- **Role of IT**: Key enabler
Fundamentals of BPR

2- **Process**: A set of logically related tasks performed to achieve a defined business outcome.

“It is a collection of tasks that together create value for a customer”

- Characteristics of BP:
  1. They have internal and external customers
  2. They cross organizational boundaries
Types of process

1. Core processes: Relate directly to external customers and central to business functions.

2. Support processes: They have internal customers and back-up of core-processes.

   They are more administrative, secondary activities

3. Management processes: by which plan, organize and control.
Function versus process-based organisation

New Product Development
R&D Manufacturing Sales
Order Fulfillment

Customer
Cross-Functionality of Processes

Process: New product development

- Needs
- Research
- Design
- Test
- Process
- Equip
- Design
- Production

Marketing
R&D
Manufacturing
BPR

- Means starting all over from scratch
- means asking this question:
  “If I were re-creating this company today, given what I know and given current technology, what would it look like”?
- It is concerned with focusing, organizing and managing a company around its processes.
How can companies identify their business process?

- One way is to give them names that express their beginning and end state. Therefore, it would be better to call:
  - Manufacturing as the procurement-to-shipment process,
  - Product development as the concept-to-prototype process,
  - Sales as the prospect-to-order process,
  - Order fulfillment as the order-to-payment process
How can companies identify the processes to reengineer?

First, no company can reengineer all its processes simultaneously.

Second, companies typically use three criteria to help them make their choice:

- **Dysfunction**: which processes are in the deepest trouble?
- **Importance**: Which processes have the greatest impact on customers?
- **Feasibility**: Which processes are the most susceptible/dispose to redesign?
Fundamentals of BPR

3- **IT**: Enablers of redesign business processes: shared database, networking allow integration and coordination.
# IT opportunities in BPR

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<th>Technology</th>
<th>Economic scope</th>
<th>Process Opportunities</th>
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<td><strong>Computation</strong></td>
<td>Reduce costs of production</td>
<td>Eliminating activities</td>
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<td><strong>Communication</strong></td>
<td>Reduce costs of coordination</td>
<td>Integrating tasks and process would reduce time and space</td>
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<td><strong>Infoware</strong></td>
<td>Reduce cost of information</td>
<td>Monitoring processes and task analyzing information</td>
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Fundamentals of BPR

4- **Business Change**: BPR requires fundamental shift in the way the whole business thinks and works.

Change in responsibility and authority distribution from vertical to horizontal lines, empowerment, semiautonomous work groups

5- **Change management**: knowledge of Organisational behavior
PBR

Where is the Strategic sense in PBR?

1- Reduce cost
2- customer satisfaction
3- improve competitiveness
4- excellent capability advantages
Processing life insurance application

The old way:

- Long, sequential process involving credit checking, quoting, rating, underwriting/insuring, ...
- Work spanned 5 departments & involved 19 people
- Turnaround/amount time: ranged from 5 to 25 days
Processing life insurance application

After reengineering:

- creation of “Case managers”: total responsibility for an application from receipt to policy issuing
- Use of expert systems as a support technology
- When need, assistance from a senior underwriter or physician
- Turnaround time: on average 2 to 5 days (for some cases less than 4 hours)
- Increased productivity / empowerment
Embarking on reengineering

- Persuade the people to embrace - or at least not to fight - the prospect of major change by developing the clearest messages on:

  1- A “Case for action”:
  “Here is where we are as a company and this is why we cannot stay here”.

  2- A “Vision statement”:
  “This is what we as a company need to become”
Simple rules to BPR:

- Start with a clean sheet of paper
- Listen to your customer
- Enhance those things that bring value to the customer and change or eliminate those that do not
- Focus your commitment to radical change on the process
Organizational implications of reengineering

- Work unit change: from functional departments to process teams
- Job change: from simple tasks to multidimensional work
- Roles change: from controlled employees to empowered workers
- Job preparation change: from training to education
- Managers change: from supervisors to coaches
- Org. structure change: from hierarchy to flat
- Values change: from protective to productive (employees work for their customers, not their bosses).
Development methodology for BPR

1. Develop vision and objectives
2. Identify process for redesign
3. Understand and measure existing process
4. Identify IT levels
5. Pilot\ trial new process
6. Develop supply solution
7. Make new process operational
8. On going continuous improvement
Rethinking the Traditional Organization

- When looking beneath the surface at any company: You will find 3 different businesses:
  1. Customer relationship management
  2. Product innovation
  3. Infrastructure

One company three businesses

Traditional org. believes the three bus. must be combined within a single company.
Features of Each business

- Customer relationship management:
  The role is to find customer and build relationship with him.
  Cultural: customer comes first, aims economies of scope by gaining large share of customer’s wallet. Requires a variety of products.

- Product innovation:
  Conceive/consider of attractive of new products and services
  Cultural: Employee centered.
Features of Each business

- Infrastructure Management: The role is to build and manage facilities for high-volume.

Cultural: Cost focused, it stresses on standardization and efficiency. It focuses on the operation. Managers should talk about processes rather than functions.
If bundling them into single company

- The result: It forces management to compromise the performance of each process.
- Example: Unbundling is making the newspaper business much less capital intensive.
- Example, banking industry
Why Reengineering sometimes fail?

Variety of reasons examples:
1- Failure to focus on parts important to customer.
2- Failure to integrate IT.
3- Underestimate the actions required by employees.

Managers may assume that the change will cause employees to shed their functional mind-sets and will forge them instantly into a team aiming to achieve common goals.
TQM

- It emphasizes the role of quality in meeting the needs of its customers. TQM stresses customer satisfaction, continuous improvement and to be the best in all functions.

- TQM focuses on incremental change and gradual improvement of processes.
# Comparison between TQM & BPR

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