

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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**BUSINESS PROCESS REENGINEERING AND ORGANIZATIONAL PERFORMANCE****C. S. RAMANIGOPAL****DEAN****DEPARTMENT OF MANAGEMENT STUDIES****VINAYAKA MISSIONS UNIVERSITY****SALEM****G. PALANIAPPAN****ASST. PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****VINAYAKA MISSIONS UNIVERSITY****SALEM****N. HEMALATHA****ASST. PROFESSOR****PERIYAR UNIVERSITY****SALEM****M. MANICKAM****ASST. PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****V. M. K. V. ENGINEERING COLLEGE****SALEM****ABSTRACT**

Business Process Re-engineering has rapidly developed towards a new management philosophy. The inherent business process orientation changes the perspective of international management from a structural to that of a process view. The re-engineering of business processes is only one aspect of the management of business processes. This paper identifies the meaning of BPR and its concepts, early stages of improvements, need, advantage and criticism while implementing the organisations. Reengineering process remains an effective tool for organizations striving to operate in the competitive world; organizations are required to re-engineering their business processes in order to achieve break through performance and long-term strategy for organizational growth. Most of the aim of reengineering a business performance is to redesign the existence of a business practices in order to achieve improvement in performance. Business Process reengineering as found that typically affects various variables in the organization such as people, employees, business, technology etc. Thus, Business Process Reengineering has become useful weapon for any corporate organisations that is seeking for improvement in their current organizational performance and intends to achieve cost leadership strategy in its operating industry and environment.

**KEYWORDS**

Business Process Reengineering, Innovations, Rethinking, leadership, strategy, TQM.

**INTRODUCTION**

Many organisations around the globe are undergoing major changes in their structure and management in order to stay alive in today's highly competitive environment. Hence, a number of firms are undertaking such Business Process Reengineering (BPR) in order to bring the much needed innovations to change the outdated business processes. The goal of business process re-engineering is to redesign and change the existing business practices or process to achieve dramatic improvement in organizational performance. Organizational development is a continuous process but the pace of change has increased in manifolds. In a volatile global world, organizations enhance competitive advantage through Business Process Re-engineering (BPR) by radically redesigning selected processes.

According to Stoddard and Jarvenpea (1995) Business Process are simply a set of activities that transformed a set of inputs into a set of outputs (goods or services) for another person or process using people and equipments. Business process entails set of logically related tasks performed to achieve a defined business output or outcome. It involves a wide spectrum of activities procurement, order fulfillment, product development, customer service and sale (Sharma 2006). Thus, Business Process Re-engineering becomes an offshoot of Business Process.

Business Process Reengineering relies on a different school of thought. It believes in continuous process improvement, re-engineering assumes that current process is irrelevant and there is need to commence another one. Such a clean slate perspective enables the designers of business process to focus on new process. Business Process Re-engineering in the actual sense, have mixed successes therefore, business process reengineering projects aimed at transforming inefficient work process. Henceforth, organisations such as banks and other financial institutions need to optimize results from this model in real business situations.

**MEANING AND DEFINITION**

Hammer and Champy (2001) have revolutionized the idea of reengineering. They define BPR as,

"..the **fundamental** rethinking and **radical** redesign of business systems to achieve **dramatic** improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed."

In this definition you can find four important key words:

1. **Fundamental**: "Why do we do what we do?" and "Why do we do it the way we do?" Reengineering ignores what is and concentrates on what should be.
2. **radical**: Disregarding all existing structures and procedures and inventing completely new ways of accomplishing work
3. **dramatic**: Used for quantum leaps in performance, not used for small jumps
4. **process**: the most important key word, Collection of activities taking multiple inputs to create an output that is of value to the customer

## NEED OF THE ORGANISATION UNDERTAKES REENGINEERING

- Organisation which are already in deep trouble, If the company cost's are higher than competitors, if the customer service is really bad and the customers are already against it, if the product failure is much higher as the competition's
- Organisation which are not in trouble yet If the financial situation is still good but problems might appear in the future such as new competitors, changing customer requirements and an altered economic environment
- Organisations which are in a peak condition, The Company is in a healthy condition and not even in the future problems might appear. But the management of such companies is ambitious and aggressive. These companies want to improve their own level in order to stay in lead over their competitors.

But companies do not reengineer themselves. The people do it. It is very important for every company that it selects the right people who can do this changing process thus it will lead to success. The following roles are mostly involved by implementing reengineering at a company:

- **Leader:** a senior executive who authorizes and motivates the overall reengineering effort
- **Process owner:** a manager with responsibility for a specific process and the reengineering effort focused on it
- **Reengineering team:** a group of individuals dedicated to the reengineering of a particular process, who diagnose the existing process and oversee its redesign and implementation
- **Steering committee:** a policy-making body of a senior manager who develop the organization's overall reengineering strategy and monitor its progress
- **Reengineering czar:** an individual responsible for developing reengineering techniques and tools within the company and for achieving synergy across the company's separate reengineering projects.

The relationship between the roles is like this: *"..The leader appoints the process owner, who convenes a reengineering team to reengineer the process, with the assistance from the czar and under the auspices of the steering committee..."* [Hammer, Champy, 2001].

## CONCEPT OF BUSINESS PROCESS REENGINEERING

The reengineering concepts involve four dimensions that are stated below:

- Innovative Rethinking:** This is a process that is itself utterly dependent on creativity, inspiration and old-fashioned luck. **Drucker (1993)** argues that this paradox is apparent only not real most of what happens in successful innovations is not the happy occurrences of a blinding flash of insight but rather, the careful implementation of unspectacular but systematic management discipline.
- Process Function:** Taking a systematic perspective, **Hammer and Champy (1993)** describes process functions as a collection of activities that take one or more kinds of input and creates an output that is of value to the customer. Typical process of this includes ordering of organizational structure, manufacturing, production, development, delivery and invoicing.
- Radical change:** In radical change, a key business process is the transformation of organizational element; it is essential to an organization survival. Change leads to new ideas, technology, innovation and improvement. Therefore, it is important that organizations recognize the need for change and learns to manage the process effectively (**Pamela et al, 1995**).
- Organizational Development and Performance:** It takes a look at the firm's level of efficiency and way to improve its current activity level in order to meet up to standards and survive the competitive pressure. One way to judge the performance of an organization is to compare it with other unit within the company. Comparison with outsiders however can highlight the best industrial practices and promote their adoption. This technique is commonly term "bench making" (**Roberts, 1994**).

## ELEMENTS OF REENGINEERING IN AN ORGANIZATION

From the work of **Abolo (1997)** and **Thomas (1996)** cited by **Ezigbo (2003)**, the essential element or principles of reengineering include the following:

- Rethinking the theory of the business.
- Challenging old assumptions and discharging old rules that are no longer applicable.
- Breaking away from conventional wisdom and the constraints of organizational boundaries.
- Using information technology not to automatic outdated process but to redesign new ones.
- Externally focus on customers and the generation of greater value for customers.
- Internally focus on harnessing more of the potentials of people and applying it to those activities that identify and deliver values to customers.
- Encourages training and development by building creative work environment.
- Think and execute as much activity as possible horizontally, concentrating on flows and processes through the organization.

## STEPS INVOLVED IN BUSINESS PROCESS REENGINEERING

**Davenport and Short (1990)** prescribe a five-step approach to Business Process Reengineering. These are:

- Develop the business vision and process objectives:** Business Process Reengineering is driving by a business vision which implies specific business objectives such as cost reduction, time reduction, output quality improvement, quality of work life.
- Identify the processes to be redesigned:** Most firms use high- impacts approach which focuses and most important processes or those that conflict most with the business vision. Few number of firms use the exhaustive approach that attempts to identify all the processes within an organization and the prioritize them in order to redesigned urgency.
- Understand and measure the existing process:** For avoiding the repeating of old mistake and for providing a baseline for future improvements.
- Identity information technology (IT) levels:** Awareness of IT capabilities can and should influence process. This is because IT is a sine qua non to the business process reengineering.
- Design and Build a prototype of New Process:** The actual design should not be viewed as the end of the BPR process. Rather, it should be viewed as a prototype, aligns the BPR approach with quick delivery of results and the involvement and satisfaction of customers.

## PRINCIPLES OF BPR

The logic behind BPR is that many organisations are not organized in an efficient manner. They are functionally structured with many handoffs and no entity other than the CEO responsible for the end-to-end process. This disorganized approach is due to organisations evolving over time and processes evolving with them in a piecemeal manner. This occurs without anyone taking a holistic view and determining whether or not the way processes are performed make sense. While IT is generally seen as the panacea for inefficiency, **Hammer and Champy** argue that the implementation of IT systems are largely a disappointment as they tend to mechanize old ways of doing business, and therefore only result in minor improvements. Instead what is needed is a complete rethink of how the business' operations are managed.

**Hammer and Champy (1993)** point to the following as principles for BPR:

- Several jobs are combined into one
- Workers make decisions
- The steps in the process are performed in a natural order
- Processes have multiple versions, i.e. processes are designed to take account of different situations
- Processes are performed when it make the most sense, e.g. if the accounting department needs pencils, it is probably cheaper for such a small order to be purchased directly from the office equipment store around the block than to be ordered via the firm's purchasing department
- Checks and controls are reduced to the point where they make economic sense



➤ Reconciliation is minimised

➤ A case manager provides a single point of contact at the interface between processes

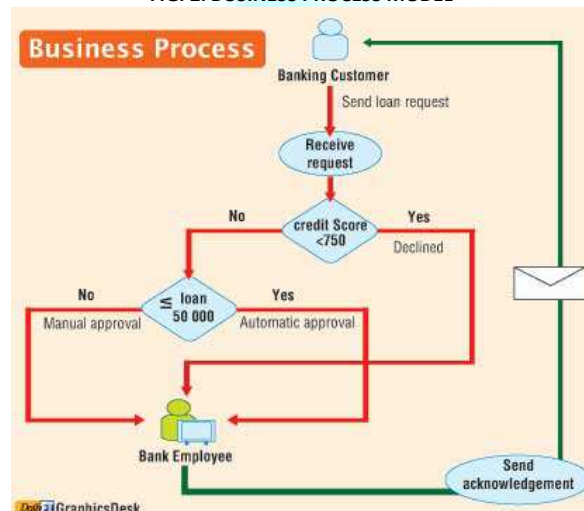
Hybrid centralized/decentralized operations are prevalent, e.g. through a shared database decentralized decisions can be made while permitting overall coordination simply through information sharing.

### CONCEPTUAL FRAMEWORK

A Business Process is a collection of activities designed to produce a specific output for a particular customer or market. It implies a strong emphasis on how the work is done within an organisation, in contrast to a product's focus. A process is thus a specific ordering of work activities across time and place, with a beginning, an end, and clearly defined inputs and outputs: a structure for action. A Business process:

1. Has a goal
2. Has specific Inputs
3. Has a specific output
4. Uses resources
5. Has a number of activities that are performed in some order
6. Many affect more than one organisational unit. Horizontal organisational impact
7. Creates value of some kind for the customer. The customer may be internal or external.

FIG. 2: BUSINESS PROCESS MODEL



BPR develops all its products based on the following business model. The key components of this business model are innovation, organisation and achievement. The Three Levels of Process Activities are:

1. Business process improvement
2. Business process reengineering
3. Business process architecture

The most basic process activity is Business Process Improvement and the most complex is Business Process Architecture. As you increase the scope of process activity the investment, the risk and the time requirement also increase.

**Business process improvement:** This is equivalent to re-decorating a house. The starting and finishing points of the process are usually within a single department. The effort supports the business department's business plan and annual objectives. The results affect the performance of that department. When the project is finished, the nature of the business, and the organisational structure and boundaries remain unchanged. The department's employees have to modify their routine and new skills are often needed to make the new process improvements work.

**Business process reengineering:** Reengineering results in companies being re-modeled: Projects can be expensive in scope. The starting point and finishing point of a targeted process are usually in different departments, making it cross-functional. Areas involved are those which have an impact on, or are impacted by, the process being reengineered. A reengineering effort supports the company's Business Plan. The focus is to achieve benefits in support of mid-term targets which are three to four years in the future. The results of a successful project contribute to corporate performance and should be tracked to the bottom line within a year of implementation.

FIG. 2: BPR MODEL



**Business process architecture:** It is comparable to getting an old building or constructing a new one. You start with a clean sheet of paper, with the objective being to achieve an overall change. Experts are needed, the investment and the risk are substantial, the project can take years to complete and there are no guarantees of achieving the desired returns. This type of effort is unlimited in scope. The focus is on the entire business.

### EARLY STAGES OF BPR

**Frederick Taylor** excited the business world when he published 'The Principles of Scientific Management' in the 1900's. Scientific Management was a step to the introduction of BPR. During Taylor's time, not many knowledgeable workers were employed in the manufacturing workforce, which at the time was the main wealth generator. Scientific Management involves breaking the manufacturing process down to a cycle of simple sequences, which were to be carried out in the least amount of time possible with the minimum amount of effort. **Davenport (1990)** developed four major principles, which are:

1. A science should be developed for each work activity, identifying the 'best way' to perform it.
2. People performing an activity should be scientifically selected to have the proper capabilities, and then trained in the science and their skills developed.
3. Management's relationship with workers should be one of cooperation in performing the work according to the science.
4. There is an almost equal division of the work and the responsibility between the management and the workmen.

FIG. 3: EVALUATION OF BPR



The key to **Taylor's** advances in organizational thinking was that the scientific method should be used to develop a "best way." The "best way" must always be acknowledged to be relative to the available tools and labour skills for performing business activities. They will change over time, so business processes must continuously be reengineered to produce a new "best way." What shouldn't change over time, however, is use of the scientific method to find it. The necessity to continually reengineer appears to be one of the areas where Taylor's principles have been misapplied [Soliman, (1998)].

The scientific method requires first developing a hypothesis as to how an improvement might be achieved, then testing the hypothesis in controlled ways so that its validity can be confirmed or denied. Implicit in the ability to both state and test a hypothesis is that there is a way to measure whether it is true or false, and to measure and control all of the variables in the environment surrounding it, which may impact the result that is; there must be a good set of measurable metrics for the domain of interest [Davenport and Short (1990)]. The early BPR is mainly centered on scientific method.

### ADVANTAGES OF BPR

1. **Satisfaction:** A big advantage of reengineering is that the work becomes more satisfying because the workers get a greater sense of completion, closure, and accomplishment from their jobs. The workers not only try to keep the boss happy or to work through the bureaucracy. More important is the fact to satisfy the customer needs.
2. **Growth of Knowledge:** Furthermore, the personal development within a process team environment does not play such an important role which means climbing up the hierarchy is a minor goal. In this case it is much more important to get a widespread knowledge of the whole process and there are no such things as "mastering" a job; as a worker's expertise and experience grow, his or her job grows with it.
3. **Solidarity to the Company:** "Moreover, since workers in a reengineered process spend more time on value adding work and less time on work that adds no value, their contributions to the company increase, and, consequently, jobs in a reengineered environment will on the whole be more highly compensated." [Hammer, Champy, 2001]
4. **Demanding Jobs:** "There is, however, a challenging side to all this good news about work in a reengineered environment. If jobs are more satisfying, they are also more challenging and difficult. Much of the old, routine work is eliminated or automated. If the old model was simple tasks for simple people, the new one is complex jobs for smart people, which raises the bar for entry into the workforce. Few simple, routine, unskilled jobs are to be found in a reengineered environment." [Hammer, Champy, 2001]. For such persons it will be probably difficult to survive within this new environment which mostly leads to a personal failure in their job.
5. **Authority:** In a traditional oriented company the management expects from the employees that they follow some specific rules. In contrast to that the reengineered companies "don't want employees who can follow rules; they want people who will make their own rules. As management invests teams with the responsibility of completing an entire process, it must also give them the authority to make the decisions needed to get it done." [Hammer, Champy, 2001]

### CHALLENGES

"...They end their efforts precisely where they began, making no significant changes, achieving no major performance improvement, and fueling employee cynicism with yet another ineffective business improvement program..." [Hammer, Champy, 2001] Between 50 % and 70 % of the organizations which have undertaken a reengineering effort do not achieve the dramatic results they have intended.

The comparison of **chess and roulette** describes the situation of such companies. "Roulette is a high-risk endeavor, chess is not, although a player may lose at chess as frequently as at roulette. Roulette is purely a game of a chance. Once the money is put down, players have no control over the outcome; in chess, chance plays no part in the outcome. The better player can expect to win; loss results from ability and strategy." [Hammer, Champy, 2001]

The same theory can be applied for Business Process Reengineering which means that the success always depends on the knowledge and the ability, but not in luck.

1. **Resistance to the change:** "There will certainly be some resistance to the change necessary for reengineering, but the key is to expect this resistance and develop ways to confront it. Employees will be most concerned about their job status after a reengineering; they will often show this by promoting opposition to the plan. Employers must confront this and deal with the employees' concerns and not their arguments." [Cartland, Business Administration 542, 1998]
2. **Drawbacks to Business Process Reengineering:** "People are not inherently opposed to change... but they don't like surprises. It is a leader's responsibility to let people know what the issues are." [Mark Wallace, CEO, Texas Children's Hospital] "Just understanding how to reengineer does not ensure success. When clearly thought out and implemented properly, BPR can be a very good way to improve the success of a company. Unfortunately, many companies

implement BPR as a fad, forgetting completely about the people involved. Companies that wish to use Business Process Reengineering must determine the best strategy and follow through with the objectives. BPR will not be successful if the company flagellates. It will also not be successful if the company uses BPR over and over again. The reengineering process must come from the top down – the executives must be committed and ready to promote the changes as an example for the rest of the company." [Cartland, *Business Administration* 542, 1998]

3. **Higher Demands to the Workers:** Empowering the workers is an inevitable step in a reengineered process. Therefore the companies which hire new workers have to consider additional criteria's in their hiring. "It is not longer enough merely to look at prospective employees' education, training, and skills; their character becomes an issue as well. Are they self-starting? Do they have self-discipline? Are they motivated to do what it takes to please the customer?" [Hammer, Champy, 2001]. This might be more complicated to find the right people for one specific job. The worker has to be a kind of "All rounder" which can perform several jobs. As it was enough to convince a possible employer in a job interview with practical skills, now it is also very important to have the more and more demanded soft skills.

"For multidimensional and changing jobs companies don't need people to fill a slot, because the slot will be only roughly defined. Companies need people who can figure out what the job takes and do it, who can create the slot that fits them. Moreover, the slot will keep changing. In an environment of flexibility and change, it is clearly impossible to hire people who already know everything they're ever going to need to know, so continuing education over lifetime of a job becomes the norm in a reengineered company." [Hammer, Champy, 2001]

### FUTURE BPR

Over the last few years, the reengineering concept has evolved from a radical change to account for contextual realism [Earl, 1994], to reconcile with more incremental process change methods such as Total Quality Management (TQM), towards a broader, yet more comprehensive process management concept [Davenport, 1995]. The future of BPR can be said to revolve round Process Management, advancement in IT and development in organizational structure [Adebayo, 2000]. BPR continues to evolve and adapt in many ways. The most significant shift has been toward technology-enabled enterprise transformation. There are several current trends on the cutting edge. These include Architecture Integration Reengineering; smaller projects; fast cycle methods and active bottom up participation [Davenport, 1995].

### CRITICISM OF BPR

The principle reason for this failure was neglecting people and the change process. Even Hammer noted that in hindsight he should have paid more attention to the people factors. BPR invariably resulted in massive changes to organisations. The improvements in efficiency brought about by BPR also often resulting in large redundancies. Soon BPR became to be seen as synonymous with redundancies and in turn was strongly resisted by many employees.

The other key criticism of BPR was levelled at it from Michael Porter (1996). Porter claimed that the improved efficiency brought about via BPR was a necessary but not sufficient condition for success. He makes this claim as strategy is about being different to competitors, and BPR is effectively only focussing on a single dimension. When all firms focus on this dimension the level of differentiation is reduced. Additionally there is a limit to the level of cost savings that can be achieved. This is not to say that efficiency is not important, just that efficiency is not the solution to strategy.

### CONCLUSION

Business Reengineering Process will only be successful if the activities in which the processes are based are directly related to the needs and objectives of the business. Business Reengineering Process has helped in the achievement of the organization over-all objectives. In the context of changing customer expectations, technological discontinuities, increasing environmental uncertainties, business managers have a big challenge of making the right strategic choice and setting their strategic priorities in order to allocate their resources to different functions in an efficient manner for business success. Thus, Business Process Reengineering has become useful weapon for any corporate organisations that is seeking for improvement in their current organizational performance and intends to achieve cost leadership strategy in its operating industry and environment.

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