

## **BUSINESS PROCESS REENGINEERING**

The business world today differs dramatically from the one that existed just a few years ago. For example, we see a rising global competitiveness and a demographically transformed workforce. Further, customer demands have become more intense, for example, customers require an ever-shorter time frame for delivery. Organisational reengineering, business process reengineering, and total quality management are among the strategies some corporations are using to deal with those changes.

Most changes processes, such as total quality management, are focused on enhancing products and services to both customers and suppliers. Total quality management requires incremental changes over several years. Those changes are usually small and take place within the current corporate culture. However, some companies have recognised the need for more extensive, almost radical, changes in operations. Organisational and business process reengineering are the processes used to design those radical changes, and they have generated many huge successes.

When a reengineering effort succeeds, companies reap big benefits. For example, a major automobile company reengineered invoice processing and reduced the number of employees in that department by 75 percent with major cost savings. Similarly, a major telecommunications company reengineered part of its service department and cut costs by almost 33 percent.

### **A HISTORICAL LOOK**

Exactly how reengineering started is a contentious subject among the industry's professionals. Some claim that the reengineering process started a few years ago as a blending of several methodologies. Others claim that reengineering started in 1980s, when the American auto industry, battered by Japanese rivals, began to integrate car design with assembly-line automation. At that time, American automobile manufacturers embraced the ideas of just-in-time (JIT), or delivering supplies just when the factory needs them rather than warehousing inventories, and total quality management, continuously improving the quality of operations and customer service.

Indeed organisational reengineering is several products rolled into one. Organisational reengineering can be compared to a multi-symptom cold medication. Just like the various brands of cold medicines, consulting firms that offer reengineering services combine their own ingredients in different formulations. Further, in their marketing strategies, they work to differentiate themselves from each other. However, whatever the mixture of services, reengineering efforts usually have four major components:

1. A greater focus on the organisation's customers (both internal and external)
2. A fundamental rethinking of the processes in the organisation that lead to improvements in productivity and cycle time (known as process improvement or business process reengineering).
3. A structural reorganisation, typically breaking functional hierarchies into cross-functional teams (team building and organisational development activity).
4. New information and measurement systems, using the latest in technology to drive improved data distribution and decision making (for example, quality and information technology).

Organisational reengineering requires that tasks be compressed and integrated rather than fragmented into specialised and repetitive tasks. Thus, our working definition of organisational reengineering is this:

**The fundamental rethinking and redesign of operating processes and organisational structure, focused on the organisation's core competencies, to achieve dramatic improvements in organisational performance.**

In other words, organisational reengineering is a process by which a company may redesign the way it does business to maximise its core competencies. In turn, this redesign results in dramatically or significantly higher profits, greater customer satisfaction, lower expense, consolidated activities, and increased productivity. Organisational reengineering redesigns the way work flows through an organisation, which often leads to system and infrastructure changes.

An organisation's core competencies are its collective knowledge, including the processes by which it co-ordinates and integrates diverse production skills and multiple streams of technology. In essence, core competencies are the systems that enable an organisation to identify and use - to the best competitive advantage - the knowledge embedded within its organisation.

Organisational reengineering involves reorganising work flows, cutting waste, combining process steps and eliminating repetitive tasks. It will not work within the typical corporate culture because it changes the corporate culture itself. The process sets aside the traditional culture and, in its place, presents a new set of organisational principles by which leaders can rebuild their business. Reengineering strives to break away from the old rules about how organisations are structured and the way they conduct business. Reengineering involves recognising and rejecting old methods and finding imaginative new ways to accomplish work. New rules will emerge from the redesigned processes to govern the organisation. The redesigned processes and the new rules produce a quantum leap in the performance of an organisation.

Organisational reengineering does not lead to incremental improvements, which are usually associated with traditional quality improvement programs. Instead, it produces breakthrough improvements in operational and financial performance. Reengineering goes to the heart of the ways in which organisations work. It is not just automating or re-automating existing business processes. It is discarding conventional ways of working and replacing those ways with entirely new ones.

As stated earlier, organisational reengineering centres on the radical redesign of business processes to better meet customer needs through a focus on core competencies and cultural change. It focuses on processes that create something of value for customers, whether they are internal or external. Reengineering can be applied, for example, to new product development processes, which turn an idea into a manufacturable and marketable prototype, or to order fulfilment processes, which begin with the receipt of an order and end when the customer has received and paid for the product. Thus, reengineering examines processes that are cross functional. Target processes transcend the boundaries between sales, marketing, manufacturing, finance, and research and development. Processes are the neglected orphans of traditional structures. Most companies focus on functions, while processes fall between the cracks.

Organisational reengineering may focus on process redesign, but it doesn't end with process redesign. A radical change in the structure of a process inevitably entails dramatic change in all other aspects of the organisation, which include the content and definition of jobs, the shape of organisational structure, and the values and beliefs the people have about what is important to the organisation.

In summary, organisational reengineering rethinks the way work is done inside an organisation; it does not simply try to improve existing processes. Organisational reengineering changes processes completely, so that they are logical and efficient and driven by an organisation's core competencies.

### **THE REENGINEERING PROCESS: AN OVERVIEW**

The reengineering process or model presented, provides a holistic approach to the redesign and rebuilding of an organisation. It is broader than the model for reengineering business process, which is only a component of the model presented. This model provides action steps for strategic, cultural, and technical aspects of reengineering an organisation.

The reengineering process is not a substitute for strategic direction. For example, reengineering will not help to perfect a process that is flawed. However, when an organisation that has a clear strategic direction with a focus on core competencies is reengineered, that organisation can better achieve its goals by creatively strengthening and combining customer opportunities.

Note, however, that any changes of processes, will be met with resistance inside an organisation unless cultural factors such as employee buy in and job satisfaction are considered as part of the change process. Internal resistance may cause great internal pain and could potentially result in failure of the reengineering effort. Thus, the model strongly emphasises the preparation of employees for change.

The reengineering model is divided into four phases, which consists of 13 major steps. The first phase, preparing for change, sets the foundation for future activity. This phase takes a two pronged approach to change. The first prong involves building understanding and support in management and increasing management awareness of the need for change. These activities provide direction for the reengineering effort and build an internal review and approval process. The second prong prepares for a cultural shift and buy in by the organisation's employees by informing the employees of their role in the upcoming change process.

The second phase, planning for change, operates under the assumption that organisations need to plan their future because of the constantly changing marketplace. Any organisation that assumes economic conditions, consumer needs and expectations, and competition in the marketplace will be the same two, three or five years from now is foolhardy and unrealistic. Thus, the planning phase provides a process by which management can envision the future and develop actions needed to operate effectively in that future by building on the organisation's core competencies. Planning for change also provides direction and guidelines for the next phase - designing change.

From an operational viewpoint, a process is a bound set of interrelated work activities, each having prescribed inputs and outputs. It has a well defined beginning and end. A process is essentially a method for doing things. The main purpose of a productive process is to create from a set of inputs one or more outputs of greater added value than the inputs.

The third phase designing change provides a method to identify, assess, map, and ultimately, redesign business processes. It offers the necessary framework for translating insights about the process being explored into quantum leaps of change. What differentiates the approach presented here from other process improvement or business process reengineering methods are two complementary mapping approaches - flowcharting and integrated flow diagramming - and cultural considerations.

The final phase, evaluating change, provides a means to evaluate the improvement during a predetermined time frame, usually a year, and to develop priorities for the coming years. Specifically, this phase helps determine whether the reengineering effort has been successful and where future efforts should be concentrated.

## **The Reengineering Method: An Outline**

### **Phase I Preparing for change**

*Top management explores the reengineering process*

- Educate management on the reengineering process and the need to change
- Create a reengineering steering committee
- Develop an initial action plan.

*Prepare workforce for involvement and change.*

### **Phase II - Planning for Change**

*Create a vision, mission, and guiding principles*

- Identify core competencies
- Develop a vision statement
- Develop a mission statement
- Determine guiding principles

*Develop a three to five year strategic plan*

- Conduct a current business review
- Determine external environmental factors
- Conduct an internal health review
- Complete business as usual forecasts
- Conduct a gap analysis

*Develop yearly operational or breakthrough plans*

- Develop operational objectives
- Organise resources
- Rank potential changes in order of priority
- Develop one year operational plans and budgets
- Apply and evaluate operational plans.

**Phase III - Designing Change**

*Identify current business process*

- Determine the critical organisational processes.
- Measure the critical process.
- Rate the Process Performance.
- Identify opportunities and the process(es) to be reengineered.

*Establish the scope of the process - mapping project*

- Identify process stakeholders.
- Create the project's mission and goals.
- Structure and select team members.
- Develop a work plan.

*Map and analyse the process*

- Depict the process in a flowchart
- Depict the process in an integrated flow diagram.
- Complete the process-mapping worksheet.
- Complete the process-constraint analysis.
- Complete the cultural factor analysis

*Create the ideal process*

- Describe the ideal process on paper
- Compare the current process to the ideal process
- Assess the gaps.

*Test the new process*

- Develop pilot objectives
- Develop pilot measures.
- Gain agreement and approval from stakeholders.
- Conduct a pilot test of the new process
- Assess the impact of the pilot test.

*Implement the new process*

- Develop an implementation action plan
- Execute the plan

**Phase IV - Evaluating change**

*Review and evaluate progress*

- Evaluate organisational measures.
- Have the steering committee evaluate the results
- Revise the three to five year strategic plan, if necessary

*Repeat yearly operational/breakthrough planning cycle.*

## REENGINEERING STEPS

The reengineering effort is often initiated because major challenges, such as lost market share, unhappy customers, declining revenues, and low employee morale, face an organisation. However, a reengineering effort may also be initiated due to a leader's vision and understanding of what reengineering can offer. As noted earlier, the first phase of organisational reengineering, the preparation phase, sets the foundation for future activity in two ways.

1. It prepares management to accept and embrace change
2. It prepares the organisation's employees for involvement and change.

### *Top Management Explores The Reengineering Process*

The organisation's top management must set the stage for the entire reengineering process. Thus, if top management does not buy into the change process, the effort is bound for failure. Management should follow three sub steps to explore the reengineering process.

### *Educate Management On The Reengineering Process And The Need To Change.*

Most organisations require significant changes in management philosophy and behaviour to survive the fluid and dynamic business environment that exists today. Senior management must become aware of the various phases of reengineering and the potential impact it could have on the organisational structure, culture, and resources. Further, this awareness must occur before any reengineering application is attempted.

Senior management must recognise the need for change. The driving forces can come from feedback generated by a variety of sources. These sources include the following.

- A review of financial projections on profitability/growth
- A review of business trends
- Competitive analysis and benchmarking
- Market trends and requirements
- Market share growth/protection analysis
- Customer demands and satisfaction analysis

### *Create A Reengineering Steering Committee*

This creation of reengineering steering committee (RSC) establishes a high level management group whose charter and focus is to guide the use and ongoing direction of the reengineering process. This committee ensures that the reengineering effort will receive the attention, focused support, and participation of the highest management levels in an organisation. The RSC concentrates on the following issues:

#### *Development and maintenance of RSC organisation / charter*

Identification of key opportunities (identified in phase II Planning for Change)

- Education and training about reengineering for the organisation  
Communication and motivation or reward systems
- Identification of major organisational problems, or burning issues
- Co-ordination of the reengineering application sequence throughout the organisation
- Identification of systems to capture gains achieved through the reengineering process
- Collection, analysis, and distribution of reengineering results

#### *Adaptation of reengineering results into on going planning (Phase II - Planning for change)*

While the RSC concentrates on these issues, it must fulfil the following responsibilities:

- Guide and direct the initial use of the reengineering process
- Maintain focus of reengineering efforts on the organisation's core competencies and on meeting or exceeding customer requirements (that is, the focus should not be on profit; that comes naturally).
- Ensure appropriate resource allocation and support for reengineering.
- Establish guidelines to resolve inter departmental problems (if they occur).
- Ensure that the reengineering process does not become an excuse for paper work.

### *Develop An Initial Action Plan*

The RSC must plan for a reengineering effort under clear executive direction and with the shared awareness and understanding of the executive staff. An initial plan is general in scope and context, versus being detailed and very specific. The plan should be general and broad in scope especially when the organisation lacks experience in the reengineering process, and provides general guidelines for all future reengineering efforts.

### *Prepare Workforce For Involvement And Change.*

This step involves preparing the entire workforce for the potential changes and informing employees of their role in the effort. More specifically, the RSC educates the workforce about the reengineering process and the need for change

The workforce preparation rests on four foundation blocks.

Peer consensus; Most people resist change because it disrupts the ritual and order of their lives. However, one's personal ties with others exert a strong influence. Sharing is a sign of belonging, and few individuals will stand alone. As a result, consensus building processes based on this natural peer bonding relationship induce change in organisations.

### *Two way trust*

Individuals and groups communicate best in high trust situations. When communications break down but individuals trust one another, they are more likely to work through difference that develop and attempt to re-establish communication. Openness about the change process and trust in it influence whether and how change occurs.

### *Training*

Even if the workforce understands and accepts the upcoming change, it may not have the required skills or the ability to carry out the change. Thus, the work force must be trained in the skills necessary for change.

### *Adaptability*

The most successful change is that which the work force can easily adapt to the unique circumstances that always develop. Therefore, leaders should only articulate a change idea, or general sense of where the change is headed, and give the employees significant opportunities to adapt the ideas and the resulting processes as they see fit.