

BUSINESS PROCESS RE-ENGINEERING TO ACHIEVE ORGANISATIONAL IMPROVEMENT

SHYLAJA. B.

Assistant Professor
Commerce Department,
Sri Krishna Arts and
Science College.
Coimbatore (TN) INDIA

MITHRA. S.

I B. Com [PA] `A`,
Sri Krishna Arts and
Science College.
Coimbatore (TN) INDIA

ALLIAMMAI. M.

I B. Com [PA] `A`,
Sri Krishna Arts and
Science College.
Coimbatore (TN) INDIA

ABSTRACT

The purpose of this paper is to study role of business process reengineering to achieve organizational improvement. The firms are nowadays in search of brand new management approaches for improving their organizational performance. Technological developments, increasing customers' expectations and unstable economy make the companies change. Organizational environment and work place conditions are changing. Adapting to recent conditions is the only way to compete. Business process reengineering (BPR) is mainly re-organizing the work processes. BPR changes the methods of process organizations, the roles of the practitioners, the structure and order of process levels. There are many challenges that industrial enterprises face to maintain their competitiveness. Running industrial operation effectively is not enough in the long run. Capabilities of innovation and utilizing innovativeness in new ways are required in future competition. Reengineering can help an aggressive company to stay on top, or transform an organization on the verge of bankruptcy into an effective competitor. The successes have spawned international interest, and major reengineering efforts are now being conducted around the world.

INTRODUCTION:

The firms are nowadays in search of brand new management approaches in order to increase their competition power related to rapid changes and technological developments. Technological developments, increasing customers' expectations and unstable economy make the companies change. Organizational environment and work place conditions are changing. Adapting to recent conditions is the only way to compete.

BUSINESS PROCESS RE-ENGINEERING:

SHYLAJA B.

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1P a g e

Business process reengineering (BPR) is mainly re-organizing the work processes. BPR changes the methods of process organizations, the roles of the practitioners, the structure and order of process levels. There are many challenges that industrial enterprises face to maintain their competitiveness. Running industrial operation effectively is not enough in the long run. Capabilities of innovation and utilizing innovativeness in new ways are required in future competition.

Hammer and Champy (1993) define business process reengineering (BPR) as:

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

An example of BPR application.

A typical problem with processes in vertical organizational structure is that customers must speak with various staff members for different inquiries. For example, if a bank customer enters into the bank determined to apply for a loan, apply for an ATM card and open a savings account, most probably must visit three different desks in order to be serviced, namely loan, account, ATM CARD.

When BPR is applied to an organization the customer communicates with only one person, called "case manager", for all three inquiries, manager completes an application for a loan in electronic form, which in turn is submitted through the network to the next team member, the credit control director, who examines the credit status of the customer.

If the credit status is not satisfactory the rejection of the loan is approved by the credit manager and a rejection form is filled and it is returned to the case manager. The case manager explains to the customer the reason that his application was rejected.

On the other hand, if the credit status of the customer is satisfactory, the application is submitted electronically to the next team member, who calculates interest rates and payment tables. The application is then submitted to the credit manager for approval using a digital signature. The approval of the application along with the payment table is delivered to the customer by the case manager.

Most importantly, while the loan application team was processing the loan application, the case manager "triggered" the account team to open a savings account and the ATM team to supply the customer with an ATM card. The customer leaves the bank having a response for his loan application, a new savings account and an ATM card, and all these without having to

move around the desks for signatures and documents. All the customer's requests were satisfied at the same time in parallel motion.

Business Process Reengineering (BPR) is one of the most recent innovations in industrial engineering and management science which represents the rapid and radical redesign of strategic, value-added processes and the system, policies and organizational structures that support them to optimize the work flows and productivity of an organization.

BRP could be implemented to all firms (manufacturing firms, retailers, services, etc.) and public organizations

COMPONENTS OF BPR:

Redesign, retooling and reorchestrating form the key components of BPR that are essential for an organization to focus on the outcome that it needs to achieve. The outcome pursued should be an ambitious outcome (as for instance, are a 24 hour delivery to any customer anywhere in the world, approval of mortgage loans within 60 minutes of application, or ability to have on-line access to a patient's medical records no matter where they are in any major city in the world). These types of visionary goals require rethinking the way most organizations do business, careful redesign. They will additionally need very sophisticated supporting information systems and a transformation from a traditional organizational structure to a network type organization.

In resuming, the whole process of BPR in order to achieve the above mentioned expected results is based on key steps-principles which include redesign, retool, and reorchestrate. Each step-principle embodies the actions and resources as presented below.

REDESIGN

- *Simplify*
- *Standardize*
- *Empowering*
- *Employeeeship*
- *Groupware*
- *Measurements*

RETOOL

- *Networks*
- *intranets*
- *extranets*

· *Workflow*

REORCHESTRATE

Synchronize

- *processes*

- *IT*

- *human resources*

These are the 3 R's of re-engineering

Creating the new enterprise involves considerable change in virtually everything to do with people's working lives. Rather than fixing the old, we set out to create the new.

There is a fundamental transformation occurring in business - in terms of its structure, processes, people, and technology.

Another very important factor for implementing BPR is the enabling role of **Information Technology**. The way that businesses are organized around departments is very logical since, for instance, there were physical barriers in the communication of the accounting department with production department.

Objectives of BPR:

- **Customer focus:** Customer service oriented processes aiming to eliminate customer complaints.
- **Speed:** Dramatic compression of the time it takes to complete a task for key business processes.
- **Compression.** Cutting major tasks of cost and capital, throughout the value chain. Organizing the processes a company develops transparency throughout the operational level reducing cost. For instance the decision to buy a large amount of raw material at 50% discount is connected to eleven cross checkings in the organizational structure from cash flow, inventory, to production planning and marketing. These checkings become easily implemented within the cross-functional teams, optimizing the decision making and cutting operational cost.
- **Flexibility.** Adaptive processes and structures to changing conditions and competition.
- **Quality:** Obsession with the superior service and value to the customers.
- **Innovation:** Leadership through imaginative change providing to organization competitive advantage.
- **Productivity.** Improve drastically effectiveness and efficiency.

SHYLAJA B.

MITHRA S.

ALLIAMMAI M.

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In order to achieve the above mentioned adjectives the following BPR project methodology is proposed.

Methodology of a BPR project implementation:

BPR is world-wide applicable technique of business restructuring focusing on business processes, providing vast improvements in a short period of time. The technique implements organizational change based on the close coordination of a methodology for rapid change, employee empowerment and training and support by information technology. In order to implement BPR to an enterprise the followings key actions need to take place:

1. BUSINESS VISION AND OBJECTIVES

Any BPR activity needs to begin with 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. 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

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 allow a smooth transition into the new way of work.

Most reengineering methodologies share common elements, but simple differences can have a significant impact on the success or failure of a project.

All methodologies could be divided in general 'model' stages:

RESULTS:

The expected results for a company that implements business process reengineering are the following:

- ✓ Reallocation of jobs and processes so as to be combined into fewer, to be executed in natural order, simultaneously and by the least possible number of employees.
- ✓ Reorganization of the company's structure and employee empowerment.
- ✓ Jobs and processes become flexible so as to be executed according to the needs of each case, company's and customer's needs.
- ✓ Steps in the processes are performed in natural order, and several jobs get done simultaneously.
- ✓ This enables the economies of scale that result from mass production.

The above changes will bring reductions of costs in the company, better quality (as far as price, promptness of delivery and offerings of related services) in the products and services provided to the customers. BPR shows that there is more than one way to skin a cat' and enables a fresh view without ingrained prejudice affecting judgement. It can produce huge initial savings where a business is struggling and often has the effect of turning around an unprofitable operation. Also, it leaves the business with a fully documented model of the operation, which is invaluable if embarking on a quality programme.

The expected outcome from a successful BPR process should be the desired one for the favour of the business concerned. The dramatic changes that are caused involve people's jobs and working relationships as it is very often that jobs are eliminated and the entire process is not as beneficial for all.

APPLICATION:

Many public and private sector organizations and SMEs World-wide had undergone major reengineering efforts. The technique was applied first to multinational cooperations, such as IBM, AT&T, SONY, GENERAL ELECTRIC, WALL MART, HEWLETT PACKARD, DEC, KRAFT FOODS having as a result major downsizing in their organizational structures.

DURATION:

The BPR technique, in general, is not a time consuming process. The duration of each BPR project varies from **6 -to 10 months**. This variation relates to the kind of business and the extent to which BPR is going to be implemented.

COST:

<i>Stage</i>	<i>Description</i>	<i>Cost</i>
1	<i>The process management and redesign study and Consulting.</i>	<i>From 3,00,000 to 5,00,000</i>
2	<i>The implementation of the redesigned process using IT tools including employee training and introduction of the new processes to the company organizational structure</i>	<i>FROM 4,00,000 to 6,50,000</i>
	Total	From 7,00,000 to 12,00,000

CONCLUSION:

Redesigning the processes with the chosen processes to reengineer, causes improvement in the performance.

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