Feature Business Process Reengineering Key Aspects

The world is changing fast and it is expected to change at a faster rate. The survival of businesses will depend on their ability to adapt to the changes says S Arunasalam.

Not many of us take time to review why we do certain things in certain ways. We take things for granted. “This is the way it is done for many years’ is the answer we often get when we question certain existing practices. Very few know the purpose of those practices and very few realize that they are not necessary anymore.

Reengineering is about making radical changes to business processes to make quantum leaps in performance. Michael Hammer, co-father of this concept of reengineering defines reengineering as:

“The fundamental rethinking and radical redesign of business processes to bring about dramatic improvements in performance.”

In the same way it has gained its popularity, reengineering has attracted an equal amount of criticism and skepticism. And, most of it from people who have tried but failed.

It is essential to understand the concept of reengineering before judging it. It is all about under- standing and accepting that in this ever-changing environment, many of the existing business processes and practices will not be valid anymore. They have to be eliminated if they are not necessary or changed if there are better ways of doing it.

The problem arises when we realize that an organization is a spaghetti of a large number of business processes. And, as Al Ries and Jack Trout put it in their book ‘Horse Sense’, an organization is a collection of egos of its personnel. Most of the reengineering projects fail because they fail to understand the complexity of the processes and the complexity of human minds.

Hammer accepts and emphasizes in his book, “The Reengineering Revolution, that

reengineering is hard. But this does not mean that it is impossible. Reengineering is possible and as Tom Peters says it is a must. The following stories vouch for its success:

- American Express reduced its annual costs by over US$1 billion.
- One of AT&T's units turned a nine figure loss into a nine figure profit.

In Sri Lanka, some companies have already started reengineering. Although reengineering takes about two to three years to complete, many say that they already see positive signs of success.

Cross-functional Process Teams

The essence of reengineering is identifying and understanding the key business processes. A key business process is usually an end-to-end process which cuts across different departments. For example, an order fulfillment process will normally include several tasks performed by sales, accounting, stores and transport departments of the company. With traditional pyramid structures and straight lines of authority, these tasks are normally mistaken for a complete business process and usually take more time due to unnecessary control procedures.

To avoid the problems caused by this departmentalization, now Cross functional teams are introduced. These are teams which have members from different functional areas, say, sales, accounting, stores and transport. To understand better, you might imagine a company that does only 'order fulfillment business.' There might be another company involved in customer inquiry handling business. These are all self-managed teams that have all the skills necessary to look after their business' i.e., their process. Of course, there will be a corporate office with specialized functional heads. But they will generally be involved in strategy formulation and corporate policy making.

Empowerment

Another key concept is employee empowerment. The objective of empowerment is to create an environment in which all levels of employees believe that they exercise personal influence over standards of service and business performance in their areas of accountability. This is critical to build a real customer-focused organization. Unless the customer service staff (or Front office staff as some call it) are equipped with all the necessary authority and information to perform their jobs, ultimate

customer service will never become a reality.

There’s one telephone company, where each customer service staff member is equipped with a telephone and a computer. When a customer calls, the staff can access the customer database and go to the customer’s account. This database has the customer’s personal details and his or her transaction history for two years. Customers generally call to check their balances, to effect changes to the billing address or to request for a copy of the last bill. The customer care staff is also given the authority to agree on a deferred payment date (of course, within certain guidelines) if the customer requests so. About 90% of the calls are attended with the first call.

In one departmental store in Sri Lanka, if a customer returns goods which he is not satisfied with, the shop floor staff are authorized to accept, without the need to get approval from the shop manager. This, according to the management, has increased customer satisfaction and loyalty substantially.

The Top Ten Ways to Fail at Reengineering

1. Don’t reengineer but say that you are

2. Don’t focus on processes

3. Spend a lot of time analyzing the current process

4. Proceed without strong executive leadership

5. Be timid in redesign

6. Go directly from conceptual design to implementation

7. Reengineer slowly

8. Place some aspects of the business off-limits

9. Adopt a conventional implementation style

10. Ignore the concerns of your people

Role of Information Technology

Reengineering is not computerization. However, IT is a key enabler of reengineering. Ability to share and access information across the organization within seconds has revolutionized the ways businesses were done. Procter & Gamble, a leading manufacturer of diapers, and Wal-Mart, a large retail chain, agreed to jointly redesign Wal-Mart's ordering process. Considering the fact that P&G has a better knowledge about diaper movements and re-order levels than Wal-Mart which deals with many other products, it was agreed that P&G will manage Wal-Mart's diaper ordering process. Accordingly, P&G will access the diaper inventory data of all Wal-Mart's retail outlets from a Wal-Mart computer system and decide the quantity to be sent to each Wal-Mart outlet. By doing this, Wal Mart saved its ordering costs, and its inventory costs also substantially improved. This was made possible only with IT.

Benchmarking

Benchmarking is a key tool in redesigning the processes. As benchmarking is identifying the best ways to carry out a process, these best ways provide the basis for redesign. Benchmarking guru Robert C Camp argues that without benchmarking, reengineering will not be successful. However, Hammer cautions about over use of benchmarking. While agreeing that benchmarking is a useful tool, he says that it should not in any way substitute for creativity. Benchmarking will only tell about the best practices currently available. But for radical redesign, only creativity can go beyond the present to the future.

The Human Factor

Reengineering, as the definition goes, involves radical change. It is so radical that when the reengineering project starts no one knows what the changes will be. It is a step into the unknown. Hence, it is natural for the protective mechanism of the human brain to start work.

There will always be resistance to change. When people have become specialists in their ways of doing things after years of hard work, after they have climbed up the ladder with numerous sacrifices-it will be difficult to find that they have to do things in a new way, that they have to be slotted into a new position in a new structure. Many jobs might disappear, many will lose their importance and many will change into new forms.

Managing this process is the key to success in many organizations. James Champy,

co-creator of the reengineering concept has written about it at full length in his book ‘Reengineering Management.”

This is more critical in the Sri Lankan context. In the absence of a social security system, lay-offs and retrenchment are difficult. The companies will have to find ways of retraining and redeployment. In many cases, reengineering results in growth in an organization without change in staff numbers. One financial institution was able to open new branches with- out recruitment after a reengineering program.

Strong leadership and open communication are necessary to create trust among employees. The impact of the changes on the employees have to be managed carefully. It is said that stress is the Number 2 cause (next to smoking) for heart attack, which is the Number 1 killer. Unless we manage the change. process well, our organisations may become murderers.

Causes for failure

Michael Hammer in his book, Reengineering Revolution identifies the Top Ten Ways to Fail at Reengineering (see box).

Let’s face it

Though it is hard, it is possible. We may be successful today, but the only thing we know about tomorrow is that it will be vastly different. If we do not take proactive steps, tomorrow will be somebody else’s.

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