

# Business Process Reengineering – Concepts and Case Study

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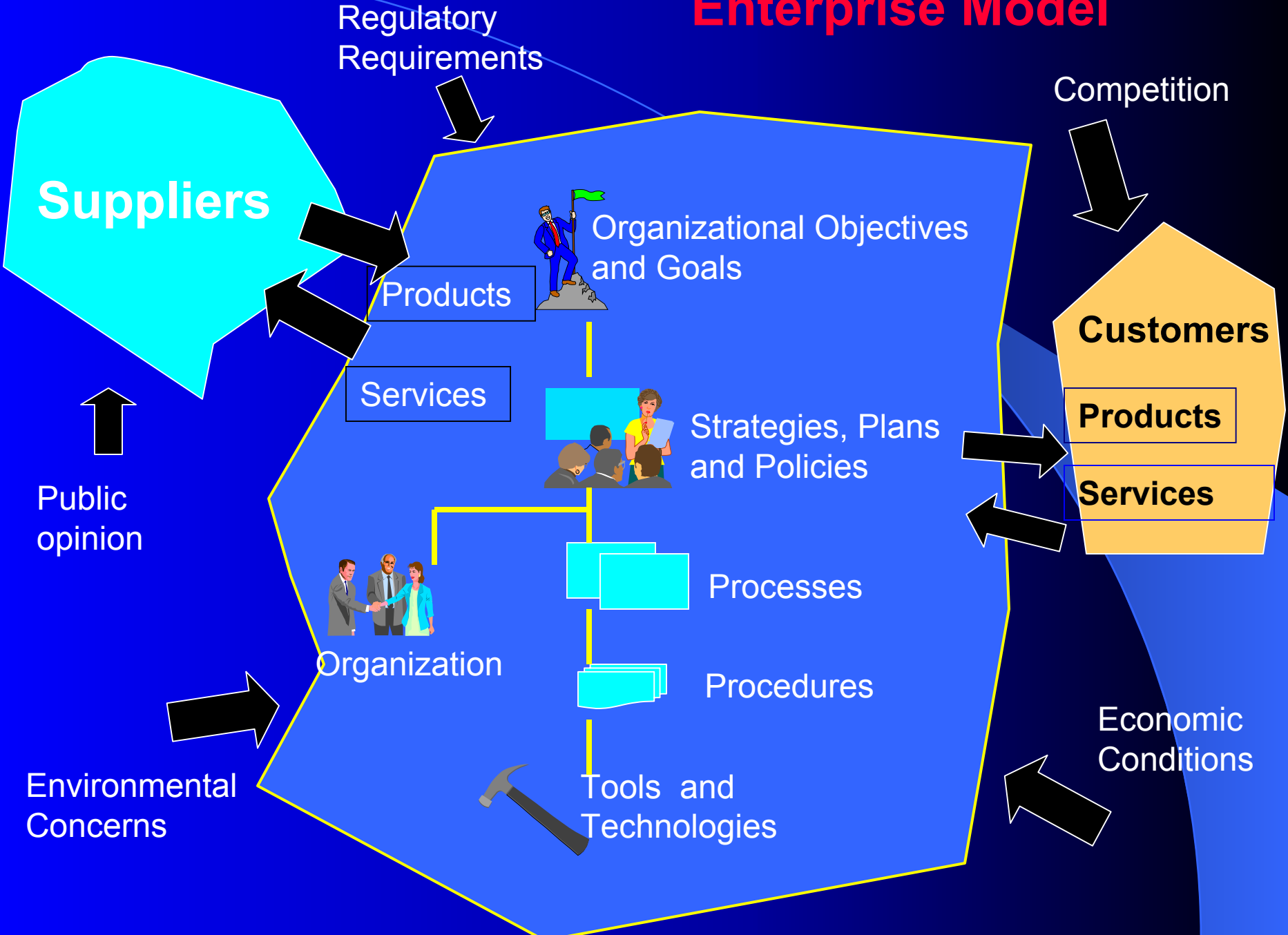
2<sup>nd</sup> Jan.'2002

Sunil Thawani

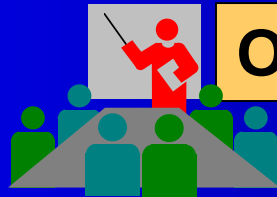
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# Enterprise Model



# Relationship Of Processes To The Business

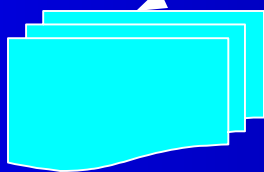


**Operating Objectives and Strategies**

**Processes**



**Subprocess**



**Procedures & Rules**



**Tools and Technologies**

# Haphazard Process Flow between Functions

**Business Management**



**Marketing**

**Engineering**

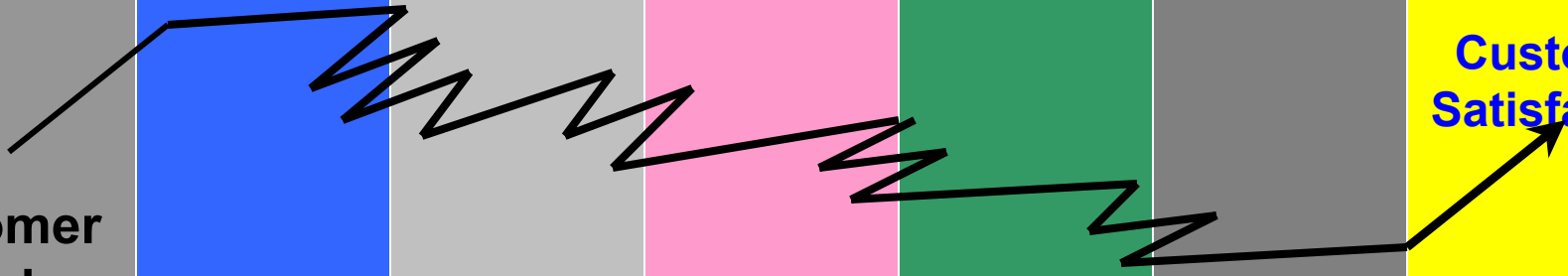
**Operations**

**Distribution**

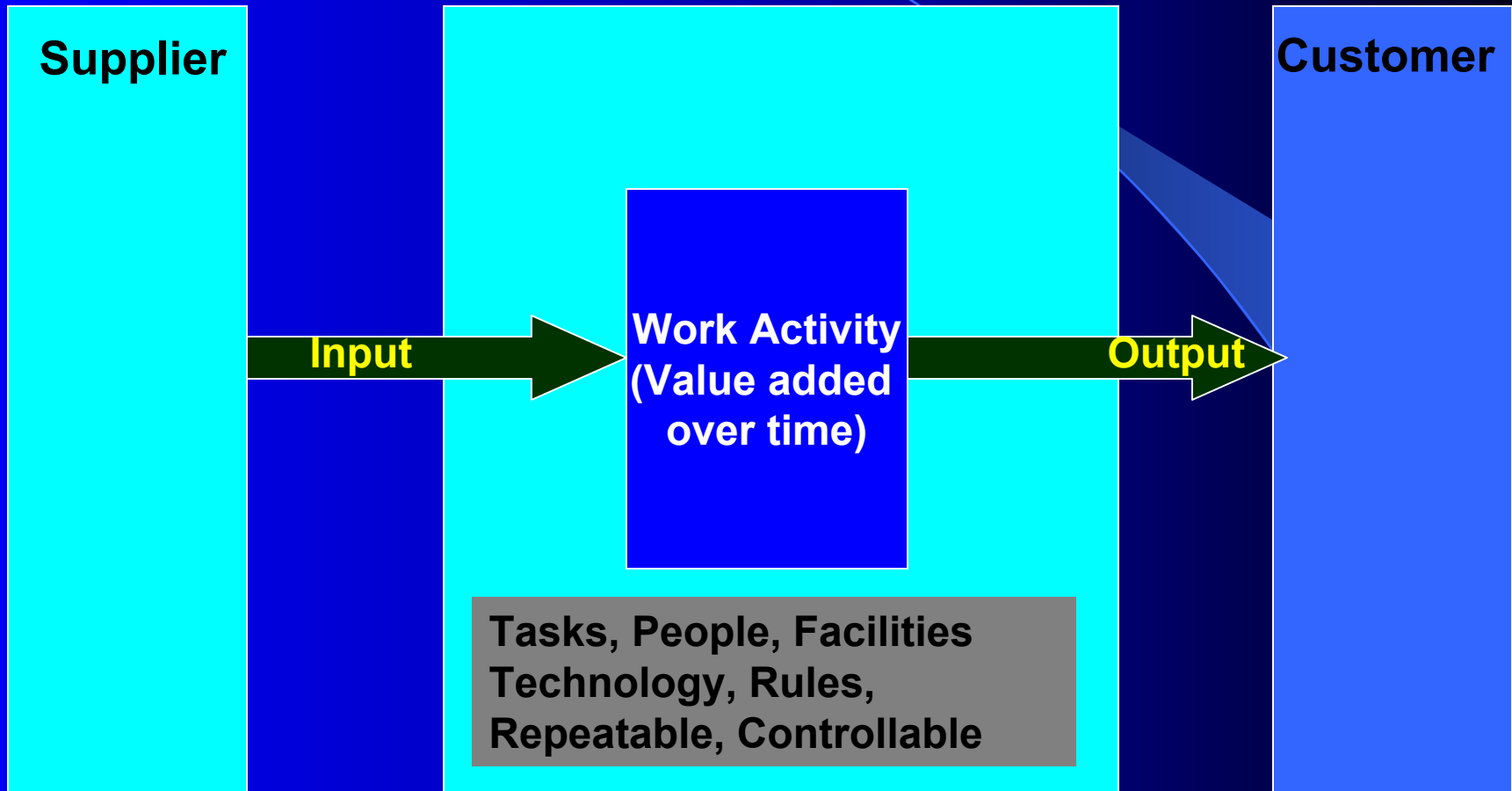
**Finance**

**Customer Needs**

**Customer Satisfaction**



# Process Model



# Processes in Traditional Organization

- Orphans
- Fragmented
- Invisible
- Unmanaged

# Process Characteristics

- Defy organization boundaries (cross functional)
- Result oriented
- They are at the very heart of every enterprise to create value for customers



What Is Reengineering ?

# Reengineering Background

- Adam Smith's principle of "Division of Labor", which breaks down work into piecemeal tasks (220 year old).
- Today's business built around Smith's central idea.
- Next evolutionary step came in early 20th century - by Henry Ford & Alfred Sloan.
- Ford made jobs infinitely simpler - but made the process of coordinating the people & combining the results of their tasks far more complex.

# Reengineering Background

- Sloan created smaller, decentralized divisions that managers could oversee by monitoring production and financial number
- Next evolutionary step after World War II to 1960s - enormous economic expansion, determined what business to be in, capital allocations, returns etc.
- Today old ways of doing business simply won't work anymore.

*We are in 21st century with companies designed during 19th century.*

## What Is BPR?

- ⊗ BPR means starting all over, from scratch i.e. “If I were recreating this company today given what I know & given current technology, what would it look like?”.
- ⊗ BPR is about rethinking how work is done.
- ⊗ Design of work must be based not on hierarchical management and the specialization of labour but on end-to-end processes and the creation of value for the customer. - M.H. & J.C

# Definitions of Reengineering

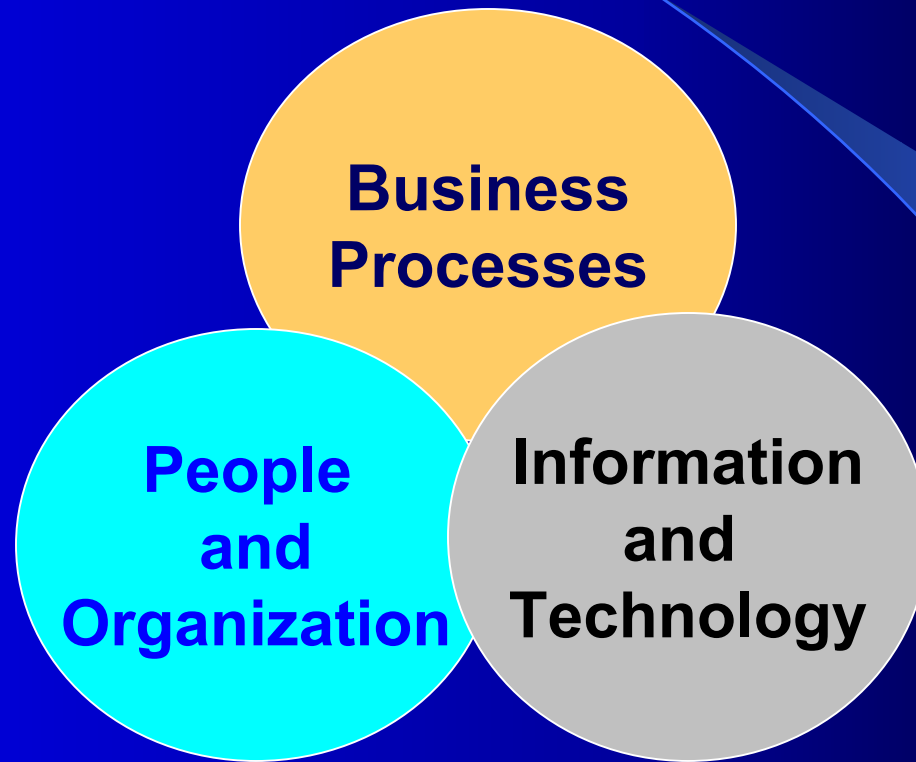
- ③ “ Reengineering is the fundamental rethinking & radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures performance , such as cost, quality, service, & speed. “

MH & JC

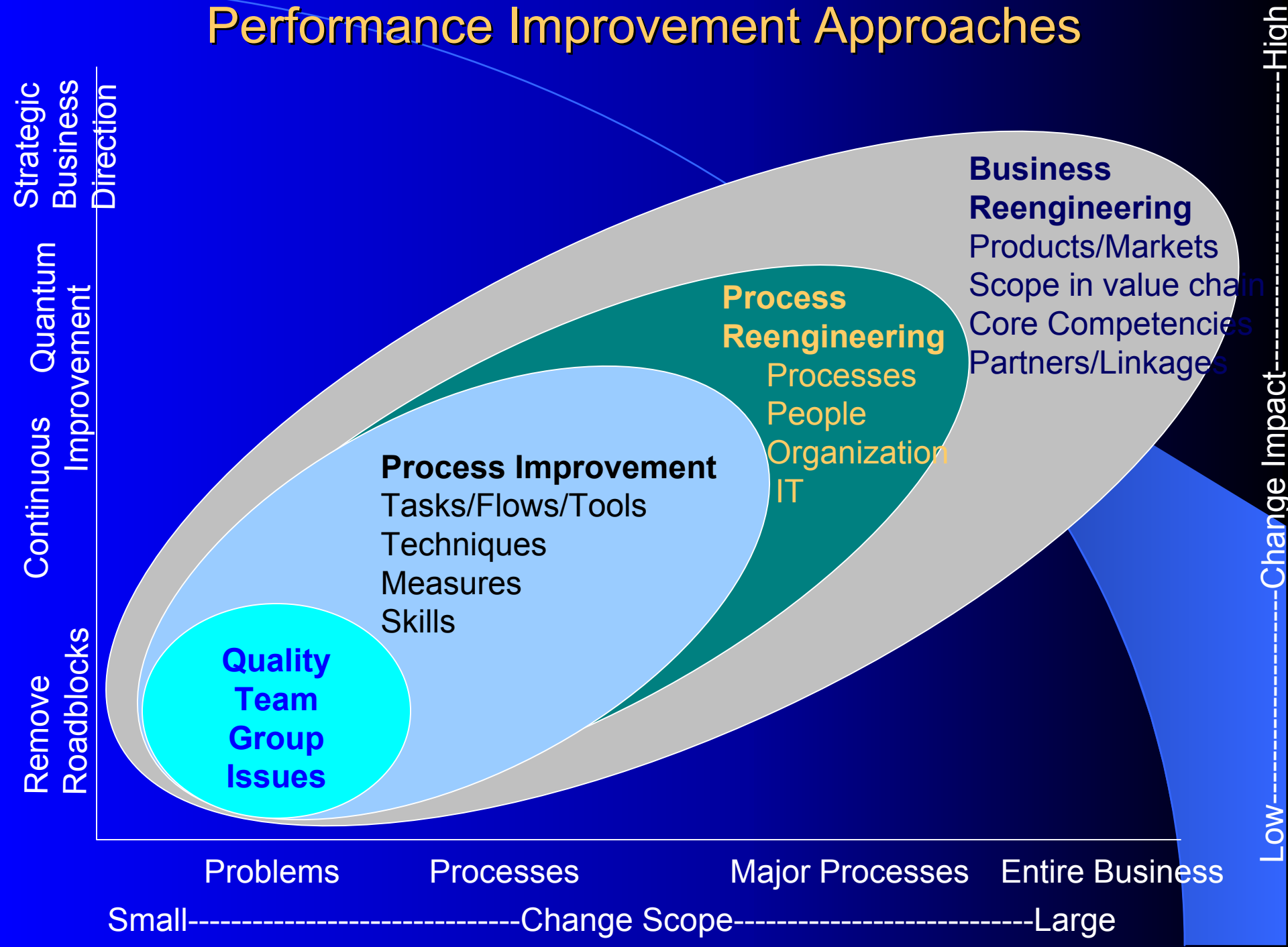
# Expected Process Improvement Results

- Cycle time reduction
- Cost reduction
- Quality improvement
- Customer satisfaction

# Components of Process Reengineering



# Performance Improvement Approaches



# BPR Methodology Vs. Traditional

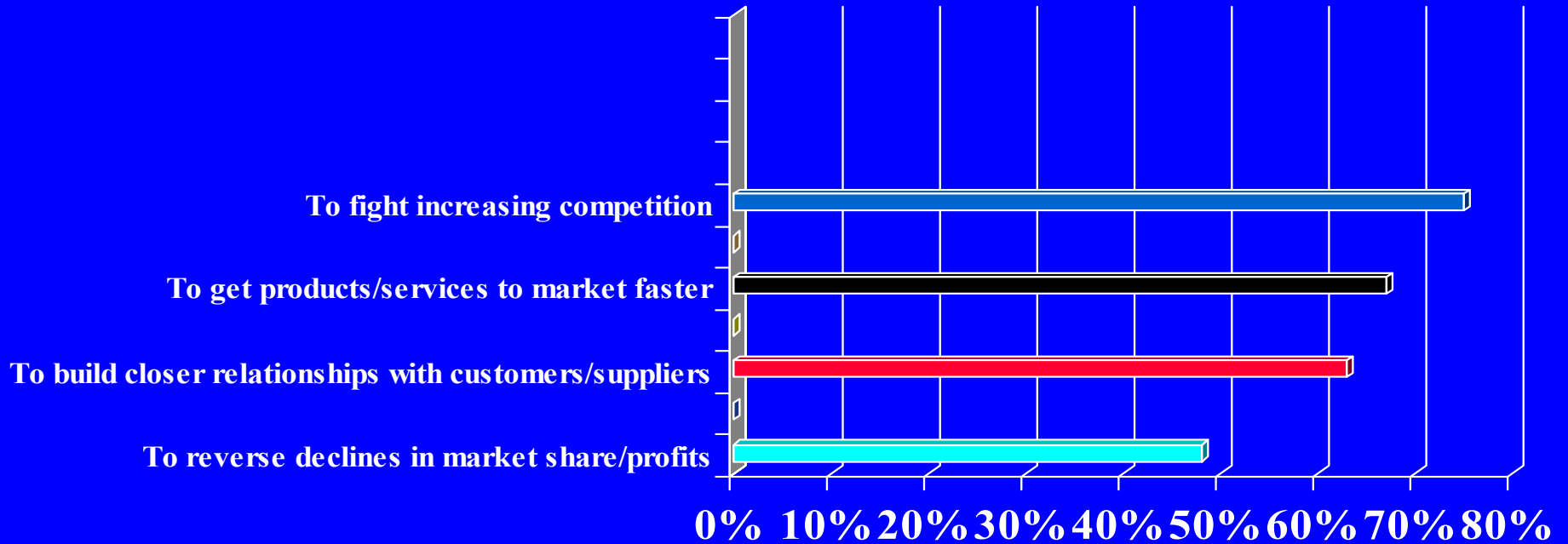
## Traditional

- Nominal improvement
- Internal orientation
- Focus on particular “problems”
- Task/ functional optimization
- Analysis by “experts”
- Redesign by ‘outsiders”

## BPR

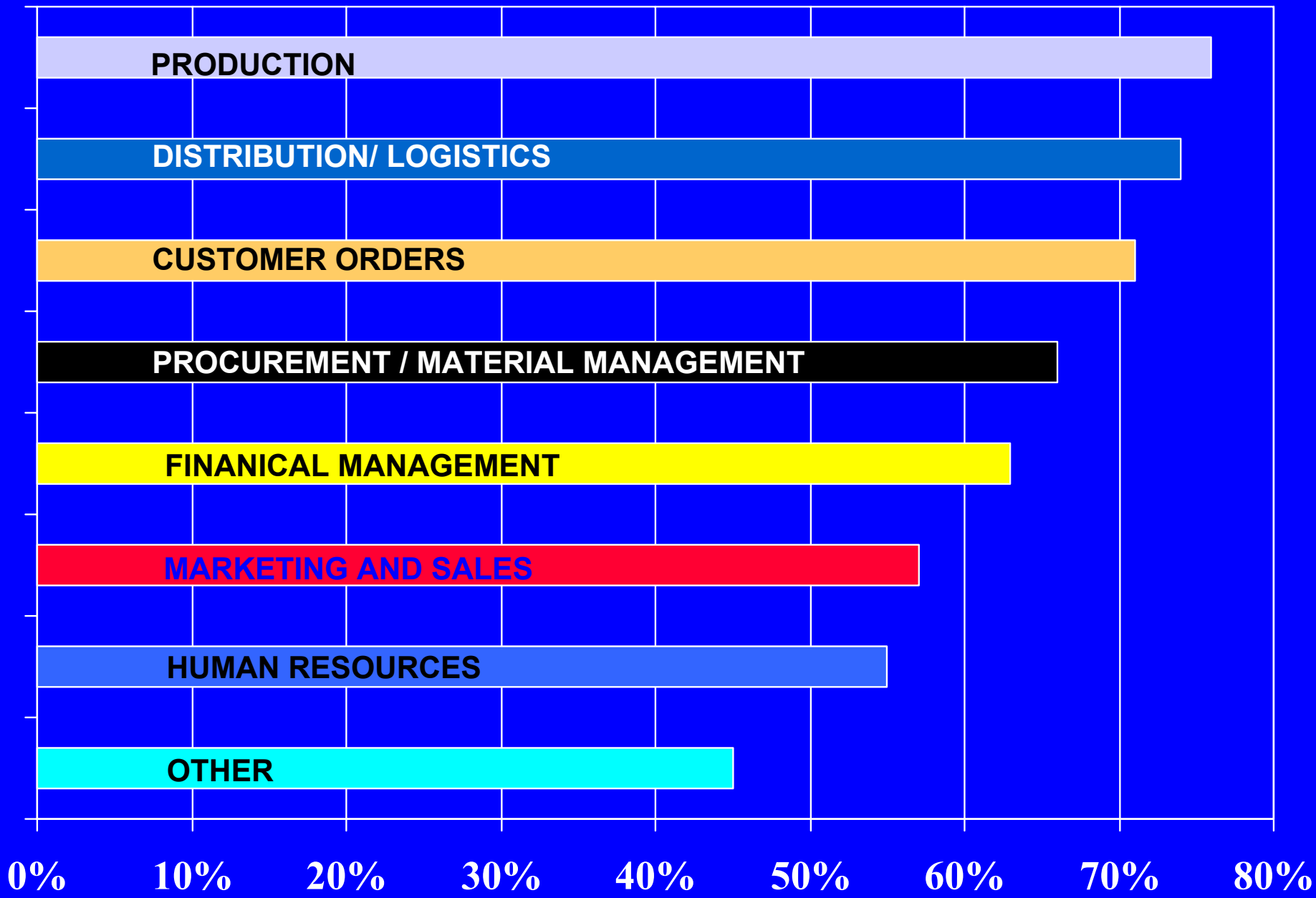
- Commitment to significant change
- Customer needs driven
- Focus on key processes
- Redesign entire process across functional
- Analysis by participants
- Redesign by participants
- Customer-based process measures

# Why Companies Reengineer?



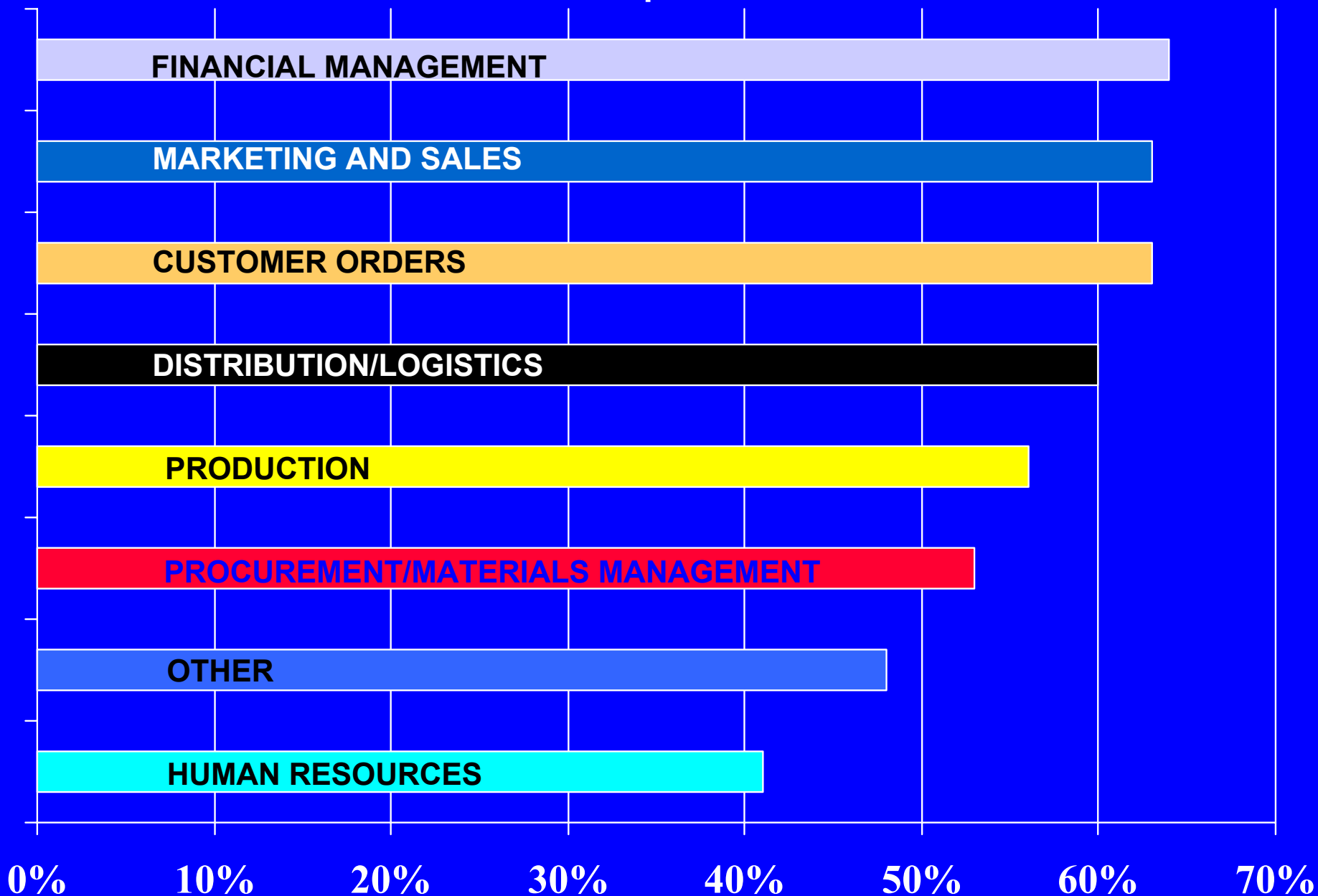
# Which Processes are being Reengineered ?

## Industrial Companies



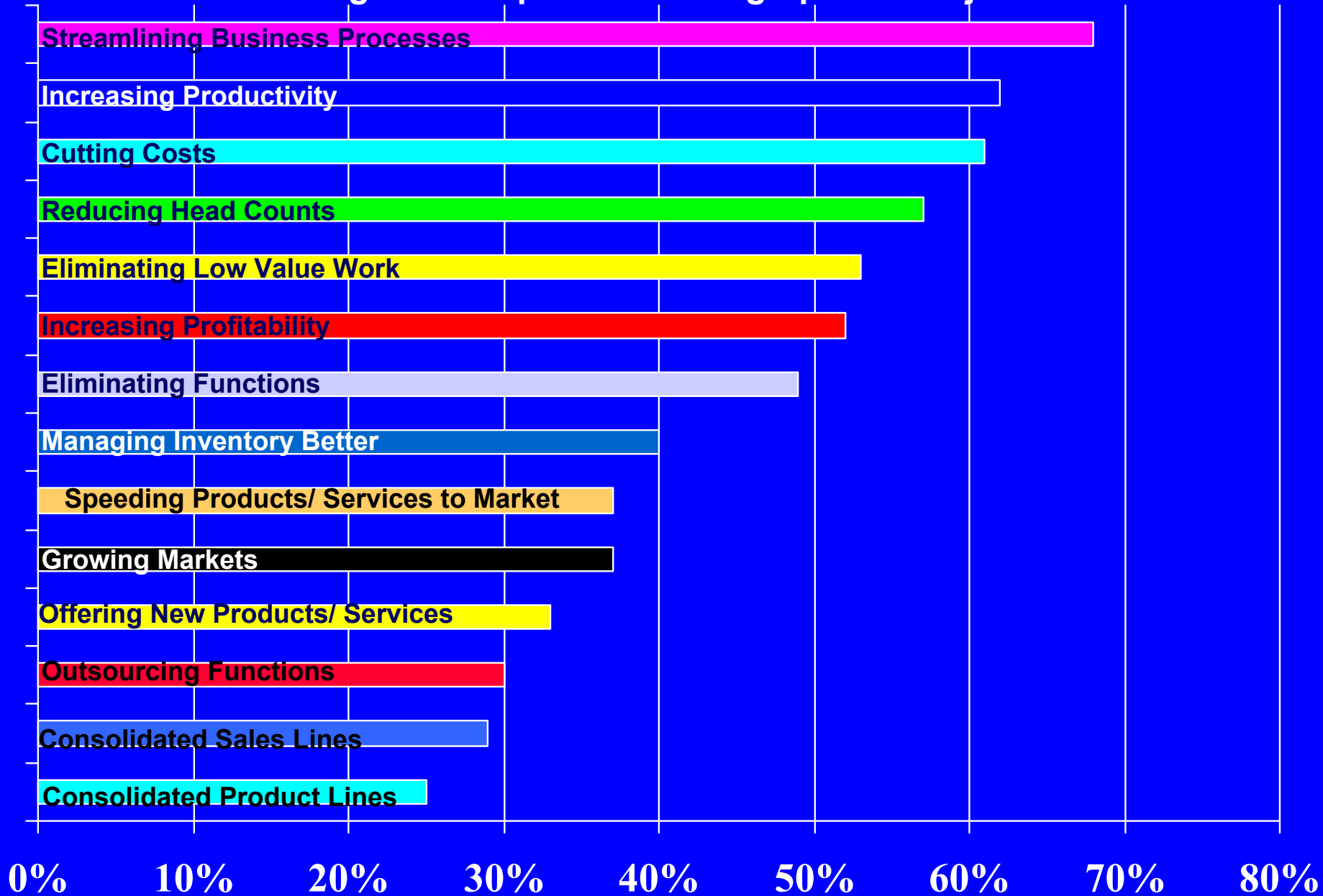
# Which Processes are being Reengineered ?

## Service Companies



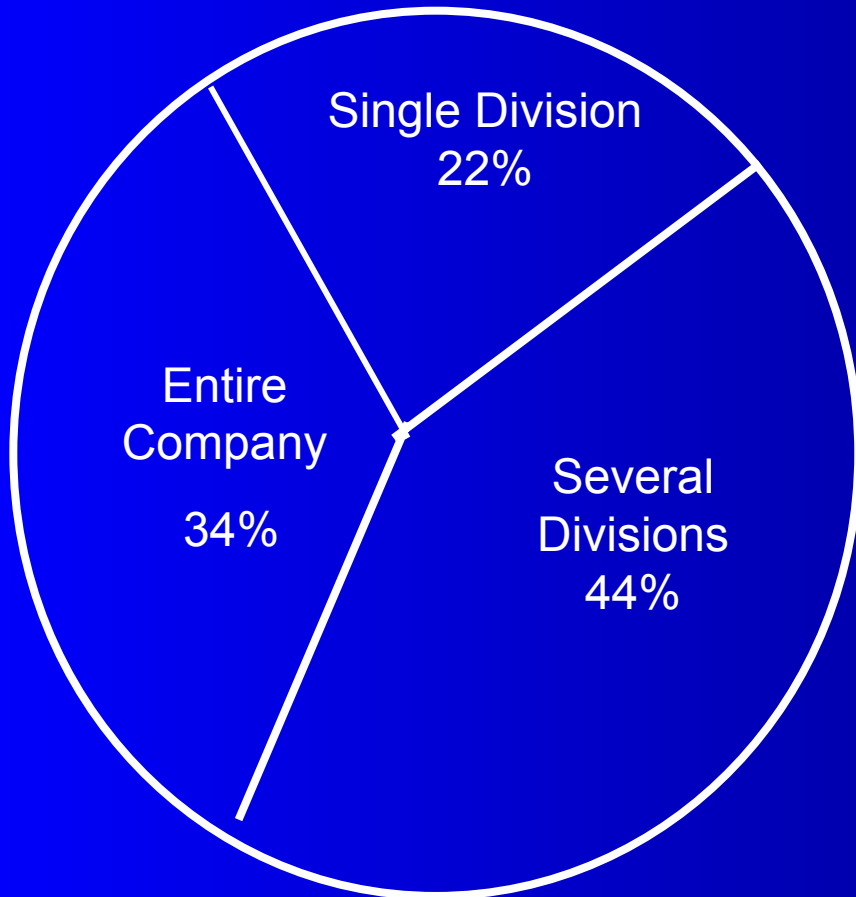
# MIXED RESULTS

## Percentage of Companies Meeting Specific Objectives

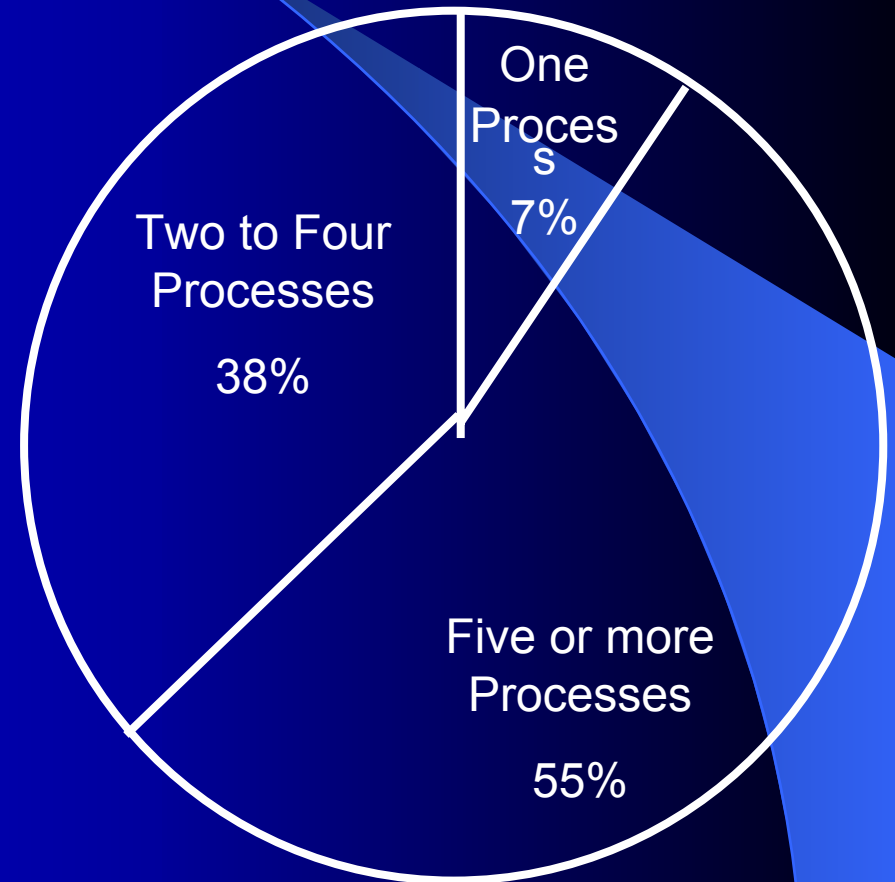


# REENGINEERING WHOLE COMPANIES

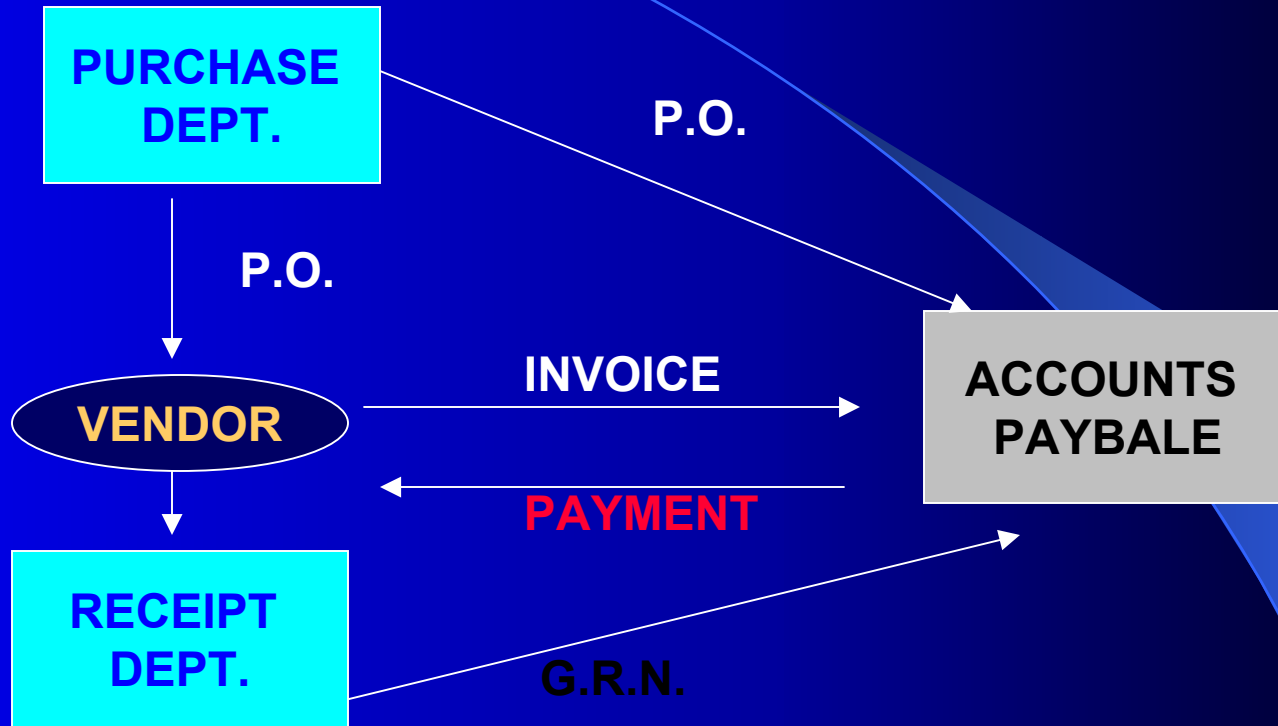
No. of Divisions Reengineered



No. of Processes Reengineered

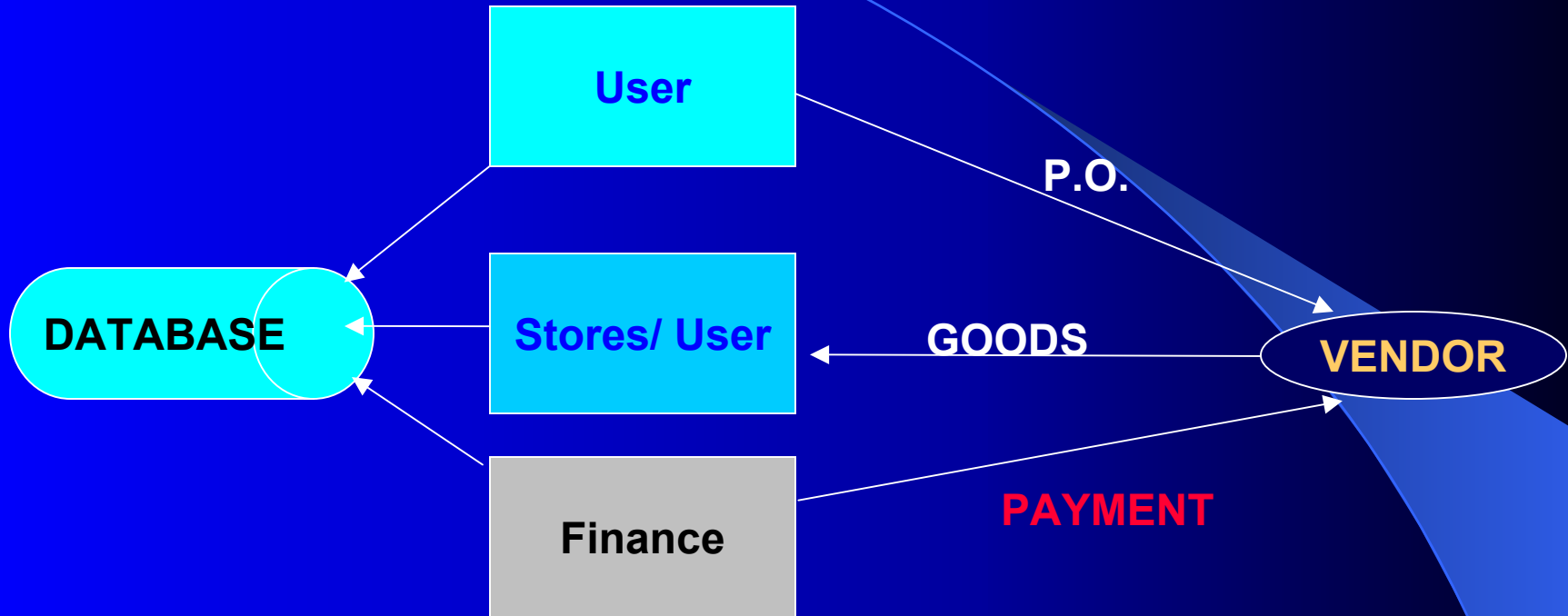


# BPR Example— Ford Motor Company – Before BPR



- **500 Head Count**
- **Accounts Payable To Match 14 Items Between P.O., G.R.N. & Invoice**

# BPR Example– Ford Motor Company – After BPR



- Automatic matching of 3 items (part no., Unit of measure, supplier code) between P.O. & G.R.N;
- Faster, simpler, more accurate & efficient process;
- 75% reduction in head count
- Invoice less processing

## BPR Example– Ford Motor Company – Rules

1. *We pay when we issue GRN*
2. *We pay when we receive goods*
3. *We pay when we use goods*

# What to Reengineer ?

- Critical Assessment of Processes
- Select processes for Reengineering

# Selecting Critical Processes

- Dysfunction : Process deepest in trouble (Fragmented , inefficient , etc. )
- Greatest impact on customer
- Feasibility : Most susceptible to successful redesign  
( High cost , wide scope )
- Impacts - Cycle Time, Cost, Process Value, Key Issue, Supplier performance & beats competition.

# Planning for BPR

- **Selection of Process & Why this process ?**
- **Process Scope ?**
- **Team Leader ?**
- **Team Members ?**

## Reengineering Study - Roles

- Team Members – Represent entire scope of process, knowledgeable about it, willing to challenge, Team players, IT Participation
- Team Leader – Take team members along, ensure project moves forward, resolve conflicting issues
- Sponsor – Responsible for successful implementation of the project
- Facilitator



# Process Scope

- Process has a definite start and end point
- E.g. From Prepare Purchase Requisition to Receive item or store the item or issue item or pay bills
- Should be neither too short or too long
- Guideline – Include planning, Supplier & Customer



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*Thank You*