

## **BPR-CORPORATE TOOL FOR REVIVING**

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Received: June 14, 2011; Accepted: July 01, 2011

**Abstract-** The concept of reengineering traces its origins back to management theories developed as early as the nineteenth century. The purpose of reengineering is to "make all your processes the best-in-class." Frederick Taylor suggested in the 1880's that managers could discover the best processes for performing work and reengineer them to optimize productivity. BPR echoes the classical belief that there is one best way to conduct tasks. In Taylor's time, technology did not allow large companies to design processes in a cross- functional or cross-departmental manner. Specialization was the state-of-the-art method to improve efficiency given the technology of the time.

In the early 1900's, Henri Fayol originated the concept of reengineering: "To conduct the undertaking toward its objectives by seeking to derive optimum advantage from all available resources." Although the technological resources of our era have changed, the concept still holds. About the same time, another business engineer, Lyndall Urwick stated "It is not enough to hold people accountable for certain activities, it is also essential to delegate to them the necessary authority to discharge that responsibility." This admonition foreshadows the idea of worker empowerment which is central to reengineering.

**Keywords:** Process Engineering, Central thrust, Despatcher, Organisational tool

### **Business Process Reengineering**

BPR (Business Process Reengineering) is defined as the critical analysis and radical redesign of existing business processes to achieve breakthrough improvements in performance measures such as cost, quality, service and speed. BPR has often been confused with the quality movement. Quality specialists tend to focus on incremental change and gradual improvement of processes, while proponent of reengineering seeks radical redesign and drastic improvement of processes.

order, inclusion of order in the production plan, production, packaging, shipment etc., Customer is interested in the final outcome

- 'dramatic' relates to radical improvements. Marginal improvements in some of the key business processes are totally inadequate, particularly in organizations (Indian) where decades of indifference to customer needs requires major changes for survival and growth.

### **MEANING**

- Fundamental – Why a job is done and why it is done in a particular way – relevance of the job and explore the possibility of doing it in a different and better way.
- Radical – radix – root of the business process. Not concerned with marginal or incremental improvements as envisaged in Kaizen
- CEO of a multinational firm 'we are going to take this place apart brick by brick and put it back together again.'
- Traditionally 'design' has engineering connotation. BPR is concerned with 'work design' i.e. the way a job is done.
- 'Process' means a group or collection of related tasks or activities performed in a logical sequence to create an output that is of value to the customer.
- Order fulfilment, for example is a process comprising a series of activities –enquiry for quotation, firm's response to enquiry, receipt of

### **Example of reengineered processes**

- GTE, the largest telephone service provider in USA
- Customer connected to a repair clerk
- Repair clerk's job was to take down the complaint. Neither qualified nor authorized to do anything more
- Conveyed the information to a line tester
- Line tester's job was to locate the source of problem which may be at either GTE's central office or on its lines
- Depending on the source of problem, the line tester passed off the information to either GTE's central office technician or a despatcher
- The despatcher then advised the service technician to visit the customer and undertake necessary repairs

### After reengineering

- One person called customer care advocate is given dual responsibility of maintenance and repair
- The customer directly contacts the CCA who is professionally qualified and authorized to test the line, modify central office software if needed or pinpoint the problem on the net work. He is multi skilled.
- In several instances he is able to resolve the problem when customer is on the phone.
- If immediate rectification is not possible he plays the role of a despatcher, checks the schedules of service technicians and informs the customer of the time of visit of service technician to his or her premises
- Earlier the repair clerk was able to solve only .5% of the problems. CCA is able to solve 40% of the problems while the customers are still online.
- Repair time is reduced from hours to minutes

### BPR METHODOLOGY

#### Five step approach to BPR:

- (1) Develop the business Vision and Process objectives: BPR is driven by a business vision, which implies specific business objectives such as cost Reduction, Output Quality improvement, QWL / Learning / Empowerment.
- (2) Identify the processes to be redesigned: Most firms use the High impact approach, which focuses on the most important processes or those that conflict most with the business vision. Lesser number of firms uses the Exhaustive approach that attempts to identify all the processes within an organization and then prioritize them in order of redesign urgency.
- (3) Understand and Measure the Existing Processes: For avoiding the repeating of old mistakes and for providing a baseline for future improvements. Identify IT Levers: Awareness of IT capabilities can and should influence process design.
- (4) Design and Build in Prototype the New Process: The actual design should not be viewed as the end of the BPR process. Rather, it should be viewed as a prototype, with successive iterations. The metaphor of prototype aligns the BPR approach with quick delivery of results, and the involvement and satisfaction of customers.
- (5) Implement and regularize the process: The designed process has to be implemented, which give major benefits like speed, time and amount of efforts at single point.

### NATURE AND SIGNIFICANCE OF BPR

Most companies today – no matter what business they are in, how technologically sophisticated their product or service is or where their business is located, can trace their work styles and organizational roots back to the prototypical pin factory that Adam Smith, a philosopher and economist, described 'The Wealth of Nations' published in 1776. He recognized that the technology of the industrial revolution had created unprecedented opportunities for manufacturer to increase worker productivity and thus reduce the cost of goods. Adam Smith, a radical thinker and an economist explained the principle of division of labour.

Today's airline, steel mills, accounting firms and computer chip makers have all accepted Smith's Central idea. This leads to the division or specialization of labour and the consequent fragmentation of work. The larger the organization, the more specialized is the worker and the more separate steps into which the work is fragmented. This rule applies not only to manufacturing jobs but also to services sector as well.

For example – Insurance companies for instance, typically assign separate clerks to process each line of a standardized form. A clerk completes his or her task and then passes the form to another clerk, who processes the next part. These workers never complete a job. They just perform piecemeal task.

### PREMISES OF BPR

The underlying premises of Business process Reengineering may be outlined as follows:

- a) The operational excellence of a company is a major basis for its competitiveness.
- b) The business strategy of a company should be oriented towards leveraging its operational excellence into the marketplace.
- c) A customer focused organization needs to be realigned in terms of process orientation.
- d) Processes need to be improved and not functions.
- e) Continuous improvement (Kaizen) is not useful when a company is far behind its competitors and needs rapid quantum leaps in performance.
- f) The thrust should be on ways to compete in the business world in order to bring about substantial improvement.

Reengineering has rapidly become the most fashionable concept of the 90s. The reason for this dramatic growth in interest lies in the simplicity of the underlying idea. Reengineering offers the promise of dramatic improvements in performance through streamlining the end-to-end process by which the business creates and delivers value for its customers. In the new business environment, Indian companies need to bring about dramatic improvements in their key business processes to survive and grow in a globally competitive market. The words 'radical' and 'dramatic' are interlinked. The word

'dramatic' implies quantum leaps in performance, achieving breakthroughs or break points.

### **THE CENTRAL THRUST OF BPR**

Although BPR is a multi – faceted and multi – dimensional undertaking, its central thrust may be identified as the reduction of the total cycle time of a business process. The total cycle time of a process is the time it takes to complete the performance of the process from beginning to end. It may also be viewed as the total duration from the time a customer need is expressed until it is satisfied. The longer the cycle time of a process, the more inefficient it is apt to be. A length process is characterized by a large number of stages or steps, procedures, task and activities. It drastically reduces a company's ability to provide customers with timely and efficient service. Lengthy processes result in large wastage of time and resources for ordering, purchasing, receiving, designing, producing, and eventual selling.

BPR seeks to reduce the cycle time of a process by eliminating the redundant stages and non – value adding steps, by drastically simplifying and rationalizing work methods / procedures, systems and flows; by coordinating the entire process through a single – role position; besides, reducing delays and speeding up flows of information, decision, and action. Even after the redesign of a process, BPR maintains a continuous lookout for 'improvement after improvement'. Faster and efficient redesigned business processes provide a firm with many more opportunities for trying testing, modifying, and learning. They enable the firm to respond to customer needs quickly flexibly, and economically. They permit a company to expedite the results it requires, and get the maximum out of its resources.

### **CRITICAL COMMENTS ON BPR**

BPR is a radical approach towards organizational change and development. It aims at enabling a firm to cope with its current competitive pressures by reducing cost, improving customer service, and thereby increase its productivity, performance and profits. Its focus is essentially on the present situation of the firm.

It is not oriented towards coping with future challenges that the firm may face in terms of changes in industry, technology and competition. This is a serious limitation of the BPR and BPR – like approach as instruments of organizational transformation. The adoption of BPR by a firm can lead to its increased vulnerability in the new, emerging, and unforeseen business scenarios. The future is not surprise – free. Insofar as a changeover to BPR becomes a complex, messy, drawn – out, and difficult process, the firm's full – scale preoccupation with its implementation, can render it unprepared for the emerging global challenges. Moreover, as BPR invariable involves severe downsizing, it also inevitable damages the creativity and commitment of experience and expertise, and halting its R & D and long – term development activities. It thus renders the firm's structure, values, assumptions, and skills may

progressively become increasingly incompatible with the changing industrial and competitive realities over time.

BPR can serve to rectify the mistakes of the past, and can thus buy time for a troubled company. But it cannot create new business opportunities, new technological competencies, and new future markets for the company. It cannot provide a firm with foresight. It cannot provide a firm any insight(s) toward the nature of its future markets, customers, competitors, competitive advantage, technological capabilities, and business skills. BPR also cannot halt the decline of a company that has failed to prepare for the challenges of change. Preparing for the future, however, requires fashioning of imaginative and creative strategies and approaches toward reinventing the enterprise. BPR can be, and often is an important part of such a strategy / approach. However, in itself it is not the whole strategy.

### **STRENGTHS AND WEAKNESS OF BPR**

The atmosphere in the company where the BPR is implemented is positive. The employees in the company become like a proprietor. They become result oriented rather than just working as per rules and regulations. Implementation of BPR is mainly concerned with the attitude of the persons at all the levels in the company. The changes in the organization show the improved overall performance.

As against that it is observed that the employees are stretched enough, creating problems in their working hours, acquiring more skills, adding computer know how etc. it is further observed that the older generation working in the organizations find it difficult to suit themselves with the changes. The changes give lot of opportunities to learn as well as expand the work area of the employees. Not only that it gives employees good scope to enhance their work area and field limitlessly. In fact it is this virtue of the employees that BPR stands to achieve the high level of performance. It is argued that it is quite expensive to go for BPR. It is basically to introduce IT as well as lot of computer hardware in the organization. From that point of view BPR is often a tool used for enhancing the performance of limping organization can rarely afford expenses of IT hardware.

### **ISSUES IN BPR**

- Employees in many organizations work under the spectre of downsizing. They feel insecure and their productivity suffers. Downsizing is rarely the right measure to run profitably or to reduce losses. Its impact on an organization's financial performance is temporary. Further it creates a negative image.
- Reengineering should precede downsizing
- Reengineering is a top down exercise and leadership plays an important role in it. Leader should have personal characteristics needed for the job assigned to him –capable of handling overt or covert resistance from employees

- BPR is concerned with radical changes in current business processes and the management should be prepared for facing resistance from a large majority of employees at middle and lower levels of management
- Managers are afraid of losing power, authority and even jobs as a result of implementation of a reengineered process
- Success of BPR greatly depends on the time it takes for implementation and the benefits derived from it within that time.

## CASE ANALYSIS

### Jet Air to rationalize operations

Quarterly loss of Rs. 45 Crore is made in the first quarter of the current financial year by the country's largest airline Jet Airways. The company was taking a number of steps including rationalizing the number of low – fare tickets, dropping loss – making routes and hedging fuel abroad. The airline is also in talks with oil companies for getting a better discount on oil prices. It would sell four aircraft and replace them by plans taken on lease, freeze recruitment in non – technical segments, take steps to reduce the payroll cost and other operating expenses, and re – negotiate agreements with fuel companies.

These initiatives would improve the cash flow of the airline, which last year sold and took on last five aircrafts. Jet Airways is also looking at launching services to new profitable routes. In the current winter season, Jet Airways will start operations to Bangkok from Delhi and Kolkata. Jet, which also announced the launch of a new flight from Delhi to Singapore on August 10, is expected to start its flights to the US by next year. Jet reported a net loss of Rs 45 crore for the first quarter of the current financial year, despite clocking a 25 per cent increase in revenue to Rs. 1,680 crore. The company said its overall financial performance was affected by factors such as continued yield pressure in domestic and international operations and an increase in fuel prices and other input cost.

The airline said yields would remain under pressure for the running quarter with increased capacity leading to induce demand in the market. It will also enter code – share agreements with international airlines to start operations to key international routes. As a part of it, Jet Airways on August 10 entered into a code share agreement with Australia's Qantas and said it would start flights to the US by next year. As per the agreement, the two carriers can book passengers in each other's flights for travel between India and Australia via Singapore.

### Analysis

The BPR exercise necessitates several changes in an organization's existing processes. Hence, organizations should be ready to accept the defined changes. BPR also impacts people, which is a very critical factor (especially in a country like India). So the CIO should bring it to his CEO's notice that this may bring drastic changes and that the organization should be prepared

for it. These are the key things to be dealt with before making decisions.

### Hindustan Lever Limited:

There is initial euphoria surrounding levers right now, but it is still early days to predict its comeback. There is no need to go overboard about its growth claims. It can possibly make a comeback with a 6-7 per cent top line growth, which is good, but it would still lag behind industry growth rates. Even if its stock price has moved up, it has still under-performed in its sector (Nikhil Vora (vora), Vice president (Research), SSKI Securities. In July 2005). "Blame Levers decline on a mixture of management hubris and a rapidly changing Indian market. After to decades of dominance , lever managers lost touch with consumer ( Business week, December27, 2004).

### Back on the growth path

On December 16, 2005, Harish Manwani, chairman of Hindustan Lever Limited (HLL), India largest fast moving consumer goods (FMCG) company announced that Douglas Baillie (Baillie) would take over as the Chief Executive officer (CEO) of HLL from March 01, 2006.

Having worked with HLL UK based parent company – Unilever – for over 25 years, Baillie was promoted from the post of Group Vice – president and Head of Unilever AMET (Africa, Middle East and Turkey). HLL has been experiencing many problems since the late 1990s. The company's plans for 2006 include moves aimed at increasing its market share in the laundry and hair care segments.

HLL's Financial performance between 2001 and 2004 was not up to the mark. During the period, its revenues plunged by Rs 7.27 billion, while profits fell by Rs. 3.5 billion. HLL which earlier commanded a dominant position in most of its product categories, lost market share in the detergents segment after competitors like Procter & Gamble (P & G) resorted to price cuts HLL also reduced the prices of its detergents but this impacted its profit marketing adversely.

Though HLL's detergent sales volumes increased from 892 thousand tons to 930 thousand tons between 2001 and 2004, sales in terms of value dropped from Rs. 19.75 billion to Rs. 18.72 billion. HLL's management began a restructuring exercise that aimed at boosting growth both in terms of volumes and revenues, finally translating into better profits for the company.

The company decided to do away with its 'margin approach' and aimed at getting more market share in all product categories, especially in the laundry and hair care segments. These decisions were taken in the face of its declining sales and margins. The company's stock too performed badly during this period.

By focusing on volume and revenue growth, reviving promising products and concentrating on its 'power brands', HLL hoped to enhance the company's revenues and profits in the long run. The new CEO is also expected to steer the company in this direction. All these changes, begun in 2002, have started to bear fruits as

HLL registered double – digit growth of 14% in its revenues in the third quarter of 2005. HLL's presence in India dates back to the late 1800s, when Sunlight soap manufactured by the Lever Brothers (UK) was imported to India in 1888. In 1895, Lifebuoy soap was introduced in the Indian Market. This was introduced in the Indian market. This was followed by the launch of other popular global brands like Pears in 1902, Lux in 1905 and Vim in 1913. The lever Brothers launched several other products like Vinolia soap, Rinso soap powder and Gibbs dental preparation. Unilever was formed on January 01, 1930, with the merger of Lever Brothers and Margarine Unit. In 1931, Unilever established the Hindustan Vanaspati Manufacturing Company, its first Indian Subsidiary.

### Analysis

BPR is an improvement philosophy. It aims to achieve improvements in performance by redesigning the processes through which an organization operates, maximizing their value added content and minimizing everything else. This approach can be applied to an individual process level or to the whole organization.

### CONCLUSION

BPR is often used by companies on the brink of disaster to cut costs and return to profitability. The danger is that during this process the company may slash its capacity for future growth. One of the hazards of BPR is that the company becomes so wrapped up in "fighting its own demons" that it fails to keep up with its competitors in offering new products or services. Reengineering focuses on changing existing business practices. This impairs the entire reengineering process, as it stifles

innovation in finding new ways to compete. BPR falls short when dealing with new products or services, since "any strategic objectives achieved are simply the by-product of improved productivity. Strategic reengineering addresses this shortcoming by focusing on designing the organization to compete. This is accomplished by undertaking strategic initiatives at the start of the reengineering process. These initiatives seek to provide understanding of the markets, competitors, and the position of the organization within the industry. Critical success factors required to compete are identified and prioritized. Only then are individual business processes addressed. To be successful, business process reengineering projects need to be top down, taking in the complete organization, and the full end to end processes. It needs to be supported by tools that make processes easy to track and analyze.

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