



BPR - Business Process Reengineering

Introduction

Marco Raimondi

e-mail: mramondi@liuc.it

The need of change

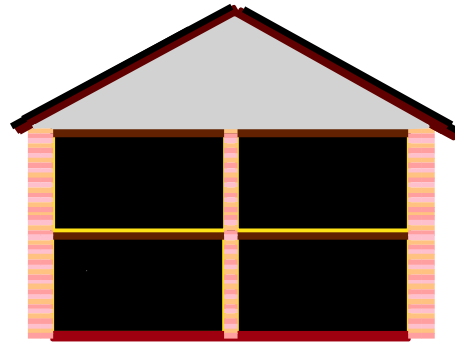
- Companies clearly need to find radically new ways to operate in a fast, complex and interrelated world
- Top management must take the necessary steps to set their organisation on the path to high levels of business performances

The need of change

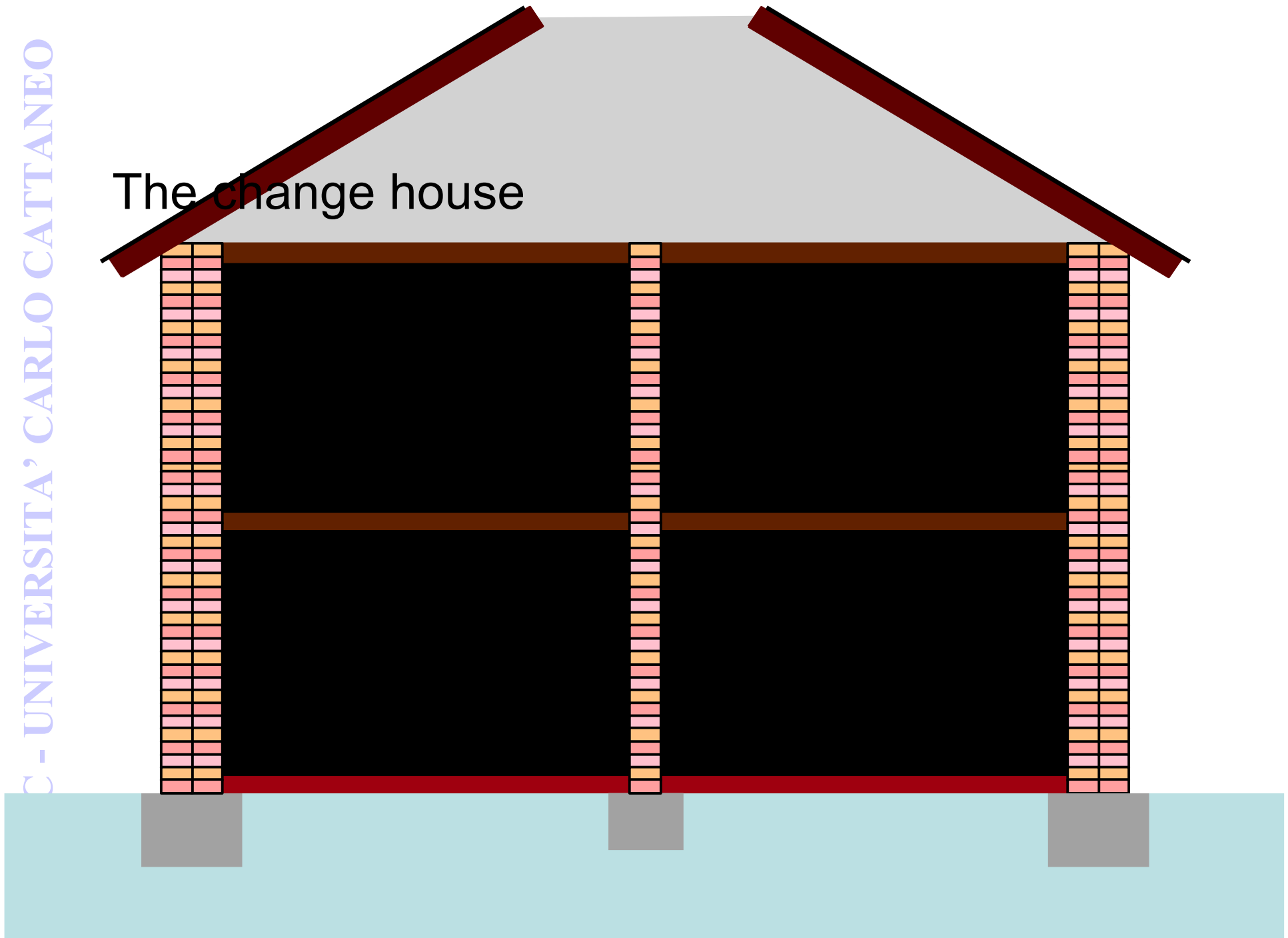
- In present situation companies find themselves in continuous not enough improvement: the philosophy of quality and continuous improvement is a necessary condition but it's not sufficient to making the quick change required by various drivers such as cost, quality, competition, regulation, shareholder ...
- BPR (Business Process Reengineering) is a fundamental effort to be undertaken by most international companies today
- A model that represent the change approach is the "change house"

The change house

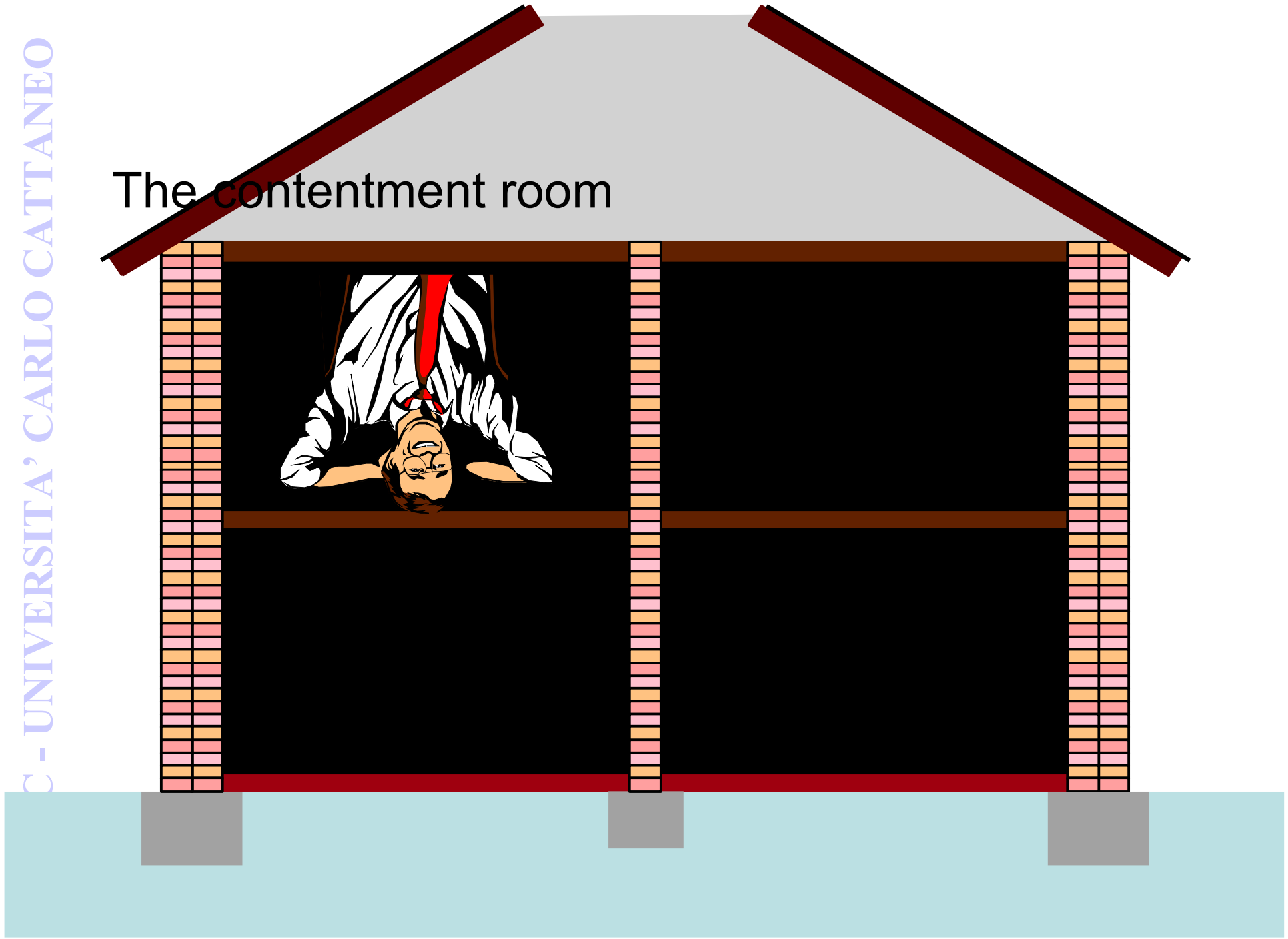
**Why change fails,
how to diagnose readiness,
how to make change happen.**



The change house



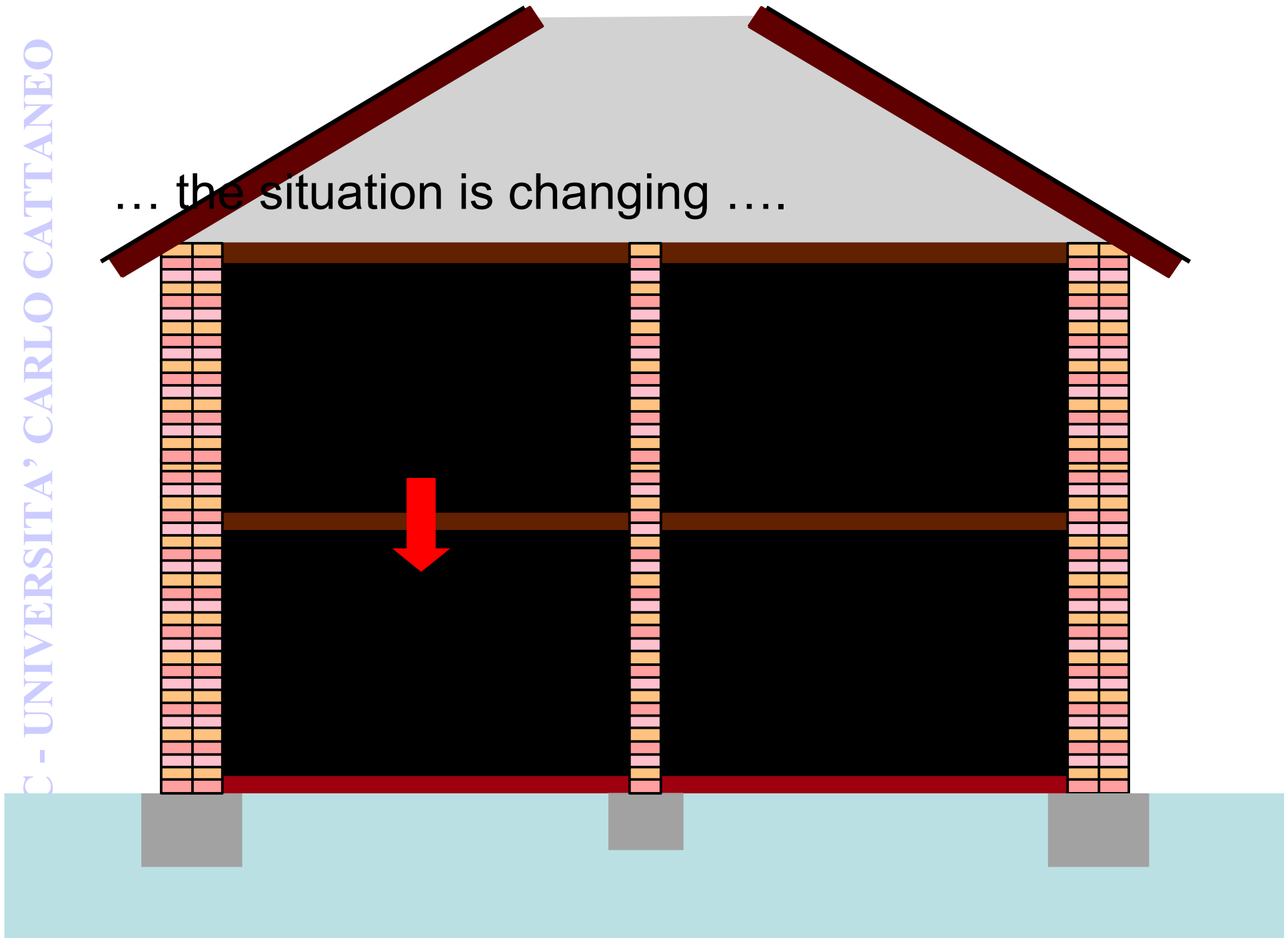
The contentment room



Evidence of contentment room

- "We are the best !"
- "Let's postpone it !"
- "Why should we do it ?"
- Arrogance
- Very bureaucratic
- Lots of internal publications
- "Let's talk about details"
- "Let's talk about us"
- Ignoring the outside world

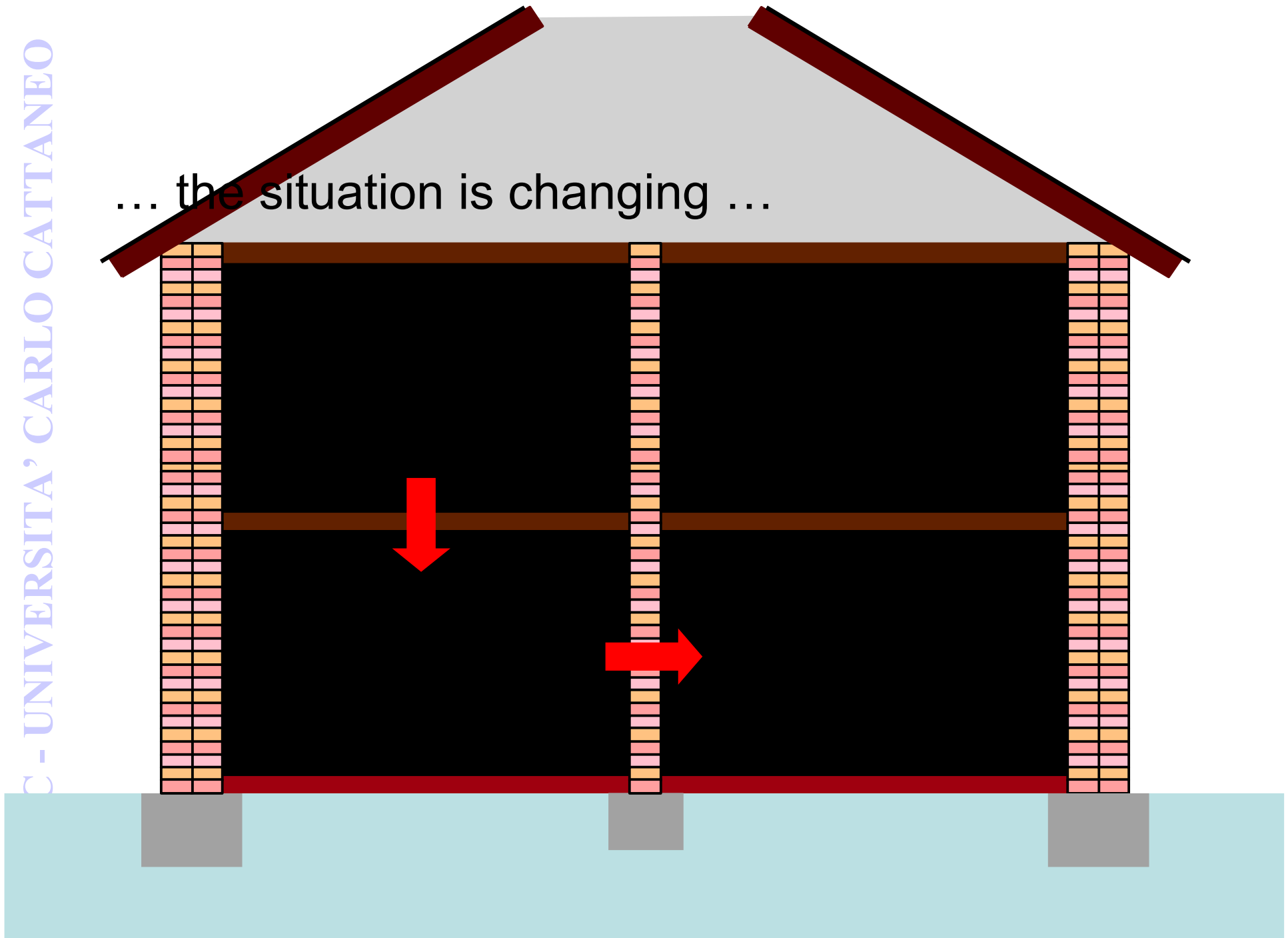
... the situation is changing



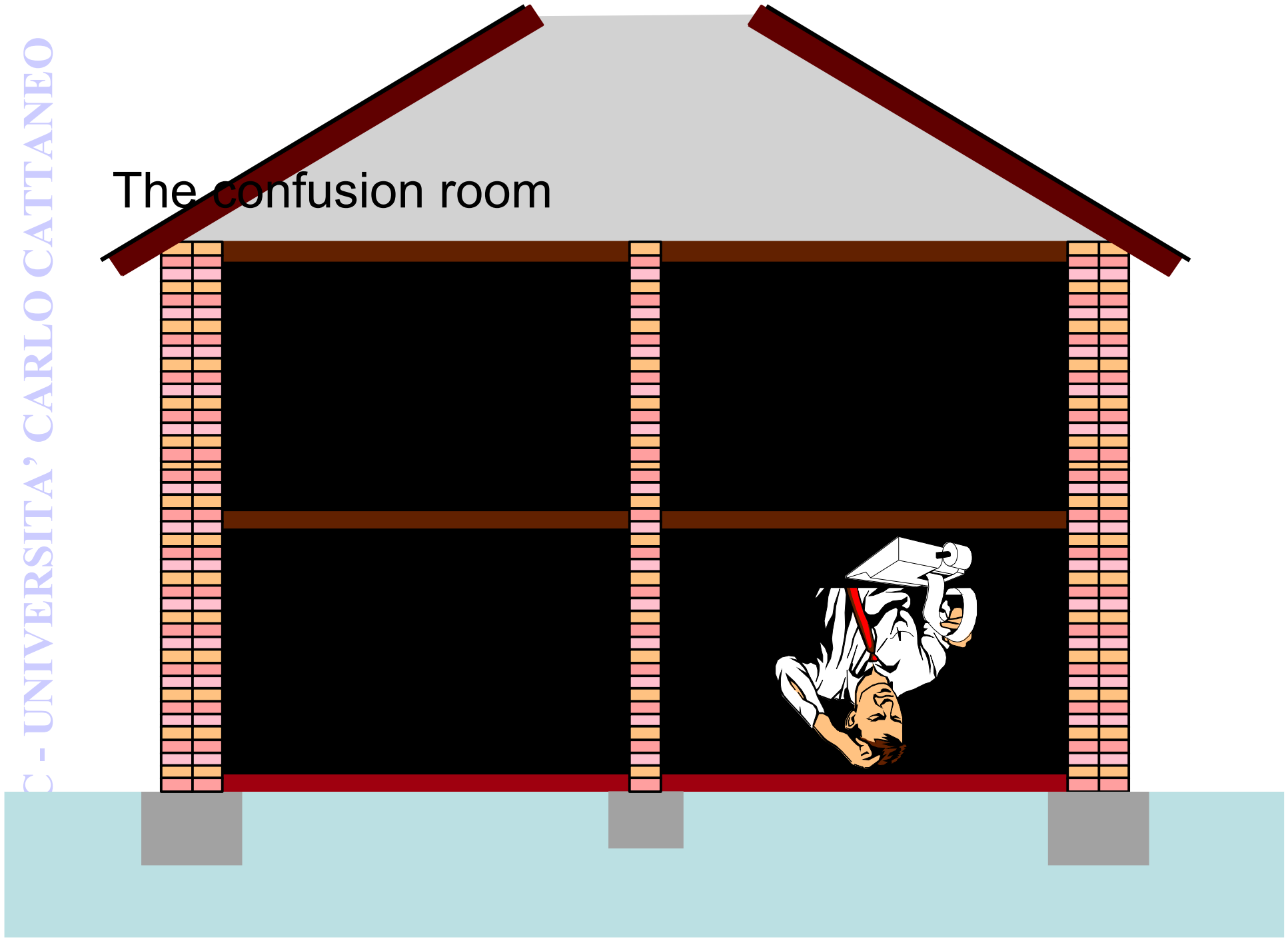
Evidence of denial room

- "They are responsible"
- "Yes, but..."
- "Circumstances are responsible..."
- Fingerpointing
- Prophets ejected
- Persecute the innocent
- Protect the guilty
- High aggression
- Defensive behaviour

... the situation is changing ...



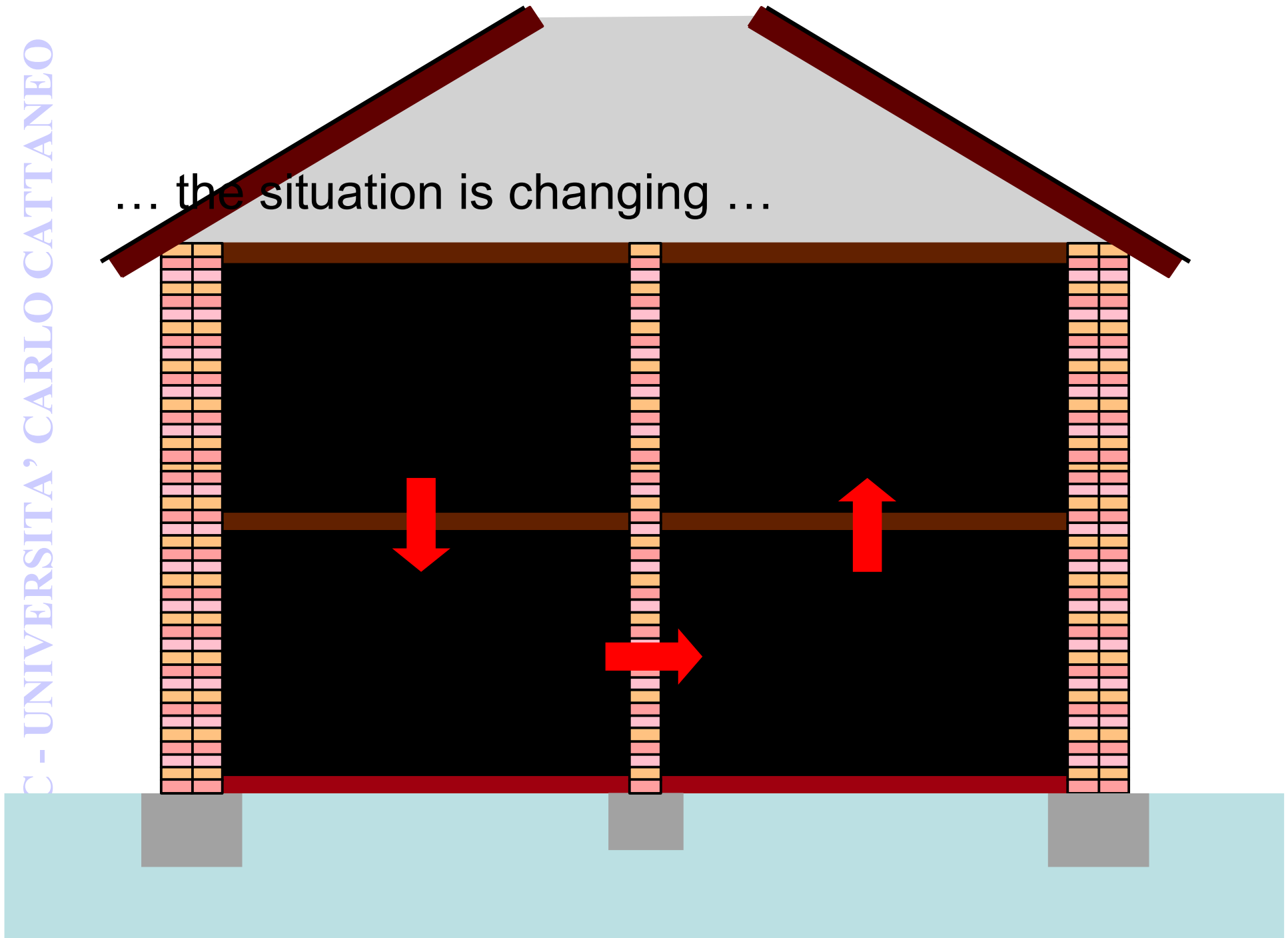
The confusion room



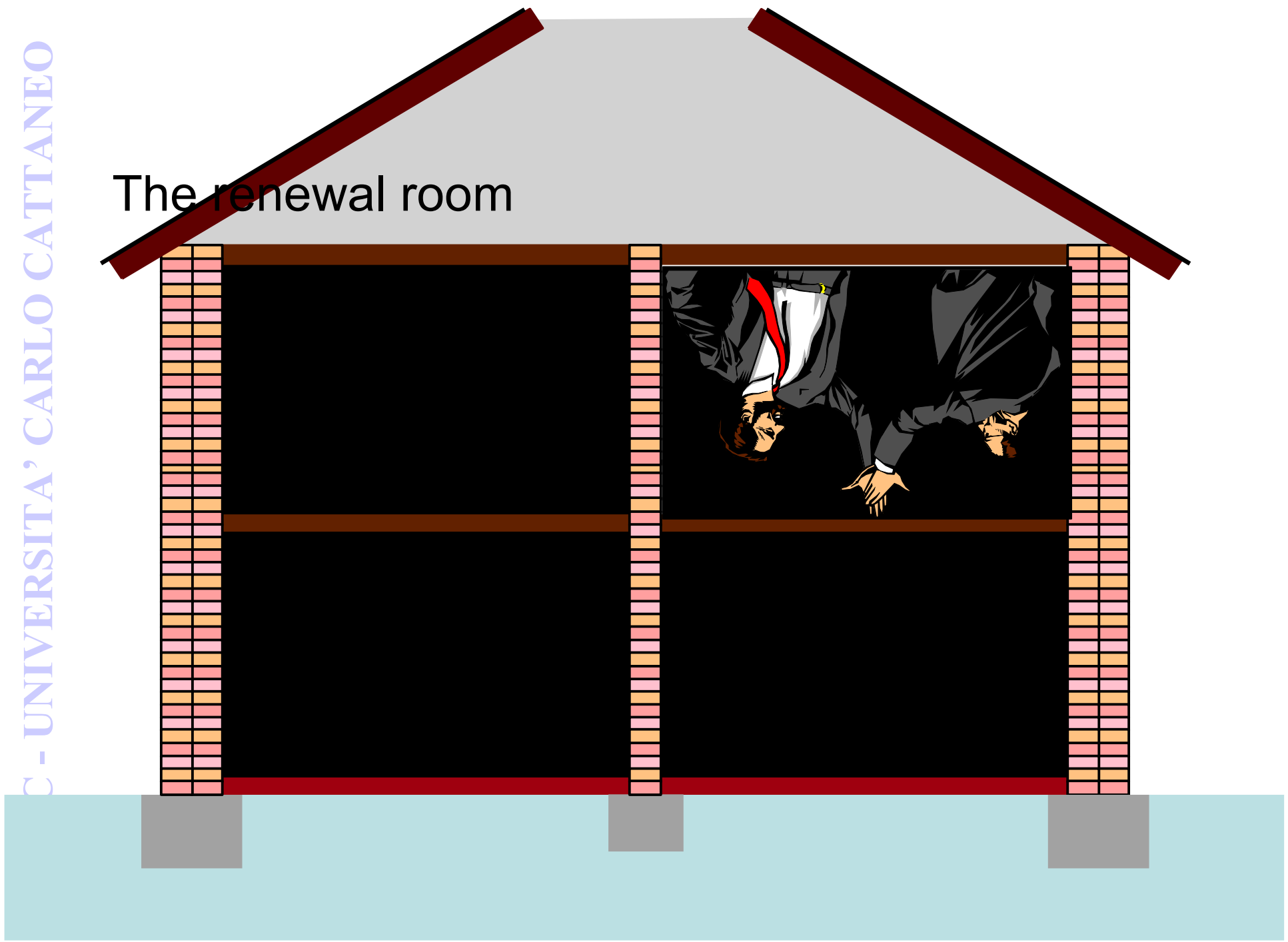
Evidence of confusion room

- "Why, how, when, where, who..."
- Crying for help
- "Which way is best?"
- Hire and fire !
- A new strategy every day!
- Panic !
- Lots of uncoordinated initiatives
- Lost in the fog !
- Consultants in large numbers
- Hiring from outside
- Tower of Babel

... the situation is changing ...



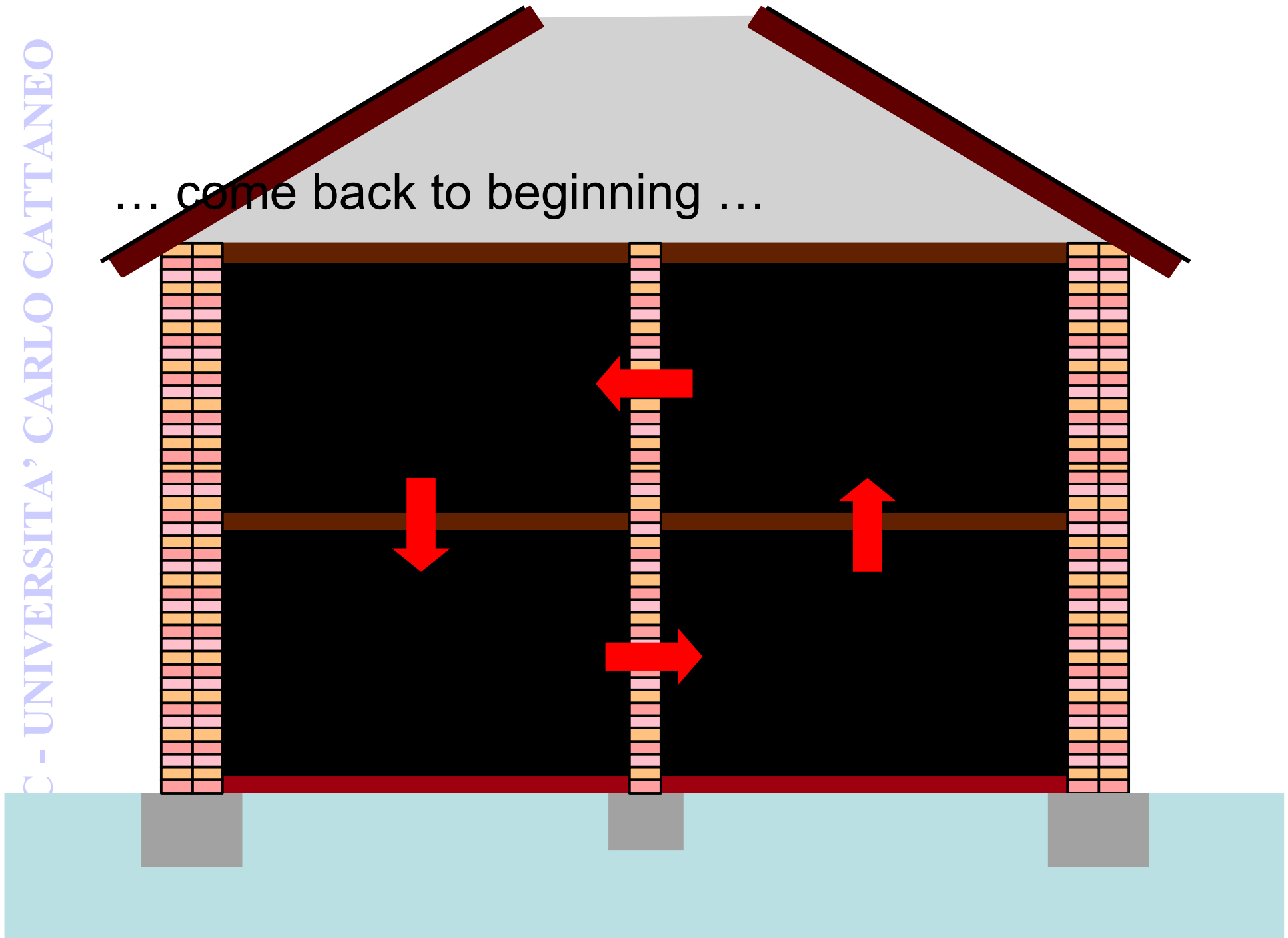
The renewal room



Evidence of renewal room

- "Let's do it together"
- "Let's make it happen !"
- "Just do it"
- High motivation and energy
- Constructive spirit
- No lip service
- Clarity and light
- Dynamism
- Taking responsibility
- Trust/delegation
- Focus
- Real CI
- Moving/increasing targets

... come back to beginning ...



The rules of the Change House

- **All organisations and individuals have to go from room to room in an anti-clockwise direction**
- **From Contentment/Complacency to Denial/Denigration to Confusion/Chaos to Renewal/Revitalisation**

The Rules of the Change House

- **Organisations and individuals do not have to spend the same amount of time in each room**
- **It is possible to speed through some rooms very quickly**

The Rules of the Change House

- **Organisations and individuals do not have to make it through the house.**
- **Both can die during the journey, usually in one of the first three rooms.**
- **One may never reach Renewal and Revitalisation.**

The Rules of the Change House

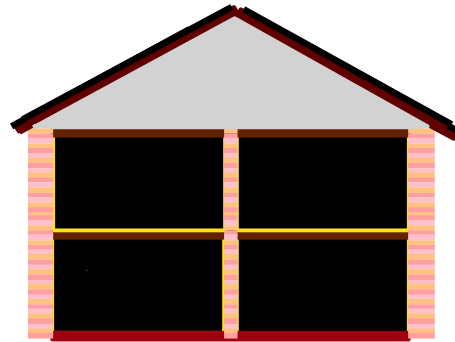
- **There is no end point; one continues to travel round the house from room to room until death**
- **Renewal is thus ultimately an illusion. Renewal and Revitalisation always turns into Contentment and Complacency**

The Rules of the Change House

- **Some clockwise slippage is possible from Confusion and Chaos to Denial and Denigration or from Denial and Denigration to Contentment and Complacency**
- **Once in Contentment one cannot move clockwise into Renewal but have to go all the way around the house**

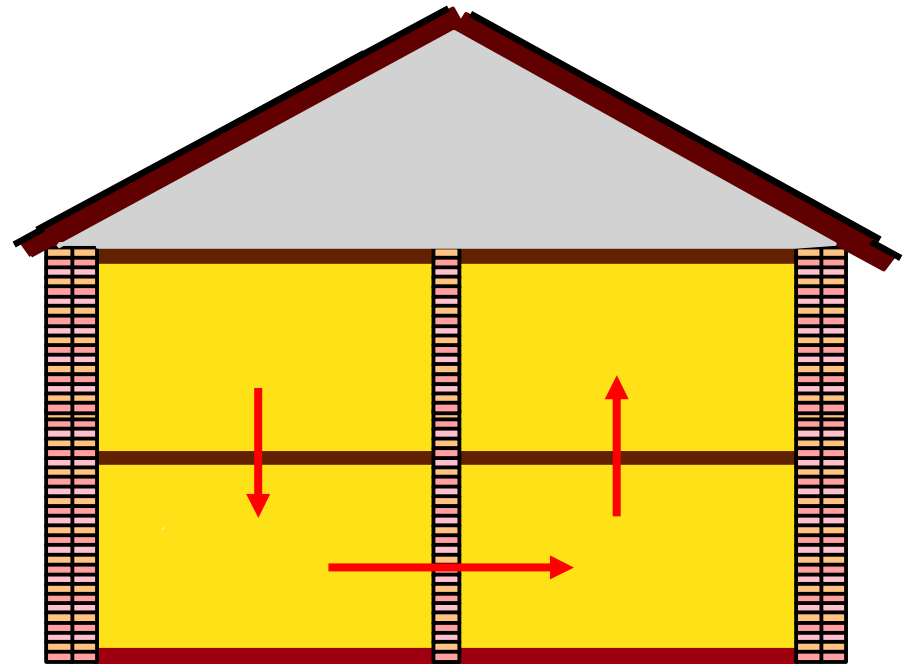
MAKING CHANGE HAPPEN

**How to move people from
room to room**



How can we move people from:

- **Contentment to Denial ?**
- **Denial to Confusion?**
- **Confusion to Renewal ?**
- **And prevent slippage from Renewal to Contentment ?**



From Contentment to Denial

- **Get people to benchmark**
- **Get people to go outside the company**
- **Provide data/stories on how well other companies are doing**
- **Provide a symbolic shock !**
- **Provide outlaws with a platform !**
- **Spread discontent !**



From Denial to Confusion

- **Continue benchmarking**
- **Increase feedback from outside**
- **Expose the majority of the employees to the problem**
- **Bring in key influencers**
- **Fire those really stuck in denial**
- **Increase the shocks !**



From Confusion to Renewal

- **Provide a vision and a direction**
- **Sell solutions, don't tell !**
- **Focus on the first steps**
- **Set demanding but attainable goals**
- **Keep feeding back results quickly**
- **Cross fertilize and cross-pollinate**
- **Reward new behaviours/performance**

Preventing slippage into Contentment

- **Constantly ratchet performance targets**
- **Keep providing feedback - both internal and external**
- **Coordinate and channel efforts**
- **Keep refining and transmitting the vision**
- **Celebrate success but always link to new targets/objectives/visions**



Process reengineering

- **Process reengineering approach is much more complex than CPI (Continuous Process Improvement) approach:**
 - More demanding
 - More time-consuming
 - More costly
- **It usually drives change in three different areas:**
 - Organizational structure
 - People/jobs
 - Technology

What's BPR?

It's a structured approach for organisational and managerial innovation, oriented to the radical improvement in performances through processes re-design

What's BPR?

It's the tool

- **by which an organisation can achieve radical change in performance measured by cost, cycle time, service, quality**
- **by which a company can set internal functions organisation using a variety of techniques customer-oriented that focus on the core business processes**

Why BPR?

- **There are more reasons to undertake BPR:**
 1. **Cost reduction: the radical improvement of non-core processes that leads to cost reduction far beyond what can be done through traditional cost-cutting efforts**
 2. **Renewed competitiveness: the reaching, within core or primary processes of “best in class”, attaining competitive parity with those who have, in the past, set the standards and made the rules**
 3. **Competitive dominance: the attempt to find and implement breakpoints, that change the rules and create the new definition of “best in class” for all others to try to attain**
 4. **.....**

Organizational restructuring

- **Organization that remain “structured the same way” after a re-engineering effort may have a difficult overcoming business issues**
- **This is the reason because when restructuring your organization, you need to consider:**
 - **Reducing organizational layers**
 - **Realigning functions/work groups around the customers**
 - **Driving accountability to the front line**

Milestones of the “new organisation”

- **Understanding of the basic principles of the “new organisation” isn’t enough, it’s necessary to implement these principles inside the company and realize the change, which is:**
 - **Systemic: i.e. affecting the whole organisation and its main processes and resources**
 - **Radical: i.e. deep and thus difficult to manage**

Work re-designing

- **Work is typically designed so that a particular employee has responsibility for portions of an entire work process**
- **When redesigning work in your organization, you will need to consider:**
 - **Conducting a “customer value-added” process analysis of the job tasks**
 - **Expanding job scope and ownership**
 - **Building cross-functional teams**

Technological retooling

- **Simply computerizing the old methods for doing things will not necessarily eliminate performance lacks or drive radical improvements in process productivity.**
- **Technological retooling for optimum performance requires that you consider:**
 - **Increasing the emphasis on process tasks that happen in parallel**
 - **Gathering and communicating customers-related data**
 - **Expediting access to information and data for all employees**

Process view

- **The process view of the company is a very important key factor to support the change process**
- **It gives the opportunity to**
 - **Concentrate on processes**
 - **Evaluate their performances periodically**
 - **Identify improvements to create economic value**
- **It doesn't identify the actions necessary to reengineer the processes**

Process mapping

- **The process mapping activity is particularly important for the process reengineering:**
 - **It represents a communication instrument among the people who take part to the BPR: they can share the knowledge about the present state of business processes**
 - **It gives the opportunity to evaluate the width and the value of the desired change to achieve the breakpoint**

What's a Breakpoint?

- **A breakpoint is the achievement of excellence in one or more value metrics, when the marketplace clearly recognizes the advantage, and when the consequently result is a disproportionate and sustained increase in the market share**
- **There are 5 areas of operations where a Breakpoint can occur, and different value metrics that express what the market wants**

Operations/Values

MARKET	PRODUCT	VALUE CHAIN	FINANCE	IT
Reaching new customers	Time to development	Cost of product	Funds cost	Internal interfaces
Promoting products	Design	Differentiation	Funds sources	External communication
Time to market	Technology	Manufacturing lead time	Product financing	Customers information
Understanding to change	After sale support: • Field service • Technical service • Service empathy	Flexibility of production	Financial stability	Supplier integration
Pricing of products range		Process design	Capital share	Automation
Product certification		Delivery reliability	Capital available	Reporting system

Breakpoint process redesign

- **Core or primary process involving breakpoints have to follow key characteristics:**
 - **They require the most radical type of process re-design**
 - **Relationship with customers and suppliers must be improved**
 - **They are responsive to external competitive or regulatory pressure**
 - **They could become the key source of competitiveness, sustaining advantages and managing market**

Breakpoint and customers

- **When searching for breakpoint it's important to understand what the market really wants, listen to the customers (surveys, interviews, questionnaires, etc...)**
- **It's useful to compare our company against competitors, asking to following questions:**
 - **What are we good at?**
 - **What are our competitors?**
 - **.....**

Areas involved

- **Operations:**
 - Process technology
 - Cost
 - Quality
 - Production capacity
 - Material cost
 - Lead time
 - Delivery reliability
 - Flexibility
 - Cycle development
- **R&D/Design**
 - Product range
 - Product technology
- **Marketing & Sales**
- **Merchandising**
- **Product service**
- **Management approach**
- **IT management**
 - Common database
 - Standardized applications

Difficulties and risks

- **There are difficulties and risks in engineering and realizing so deep and radical changes:**
 1. **Problems to understand new organizational and managerial approach**
 2. **Resistance to change by people working into organization**
 3. **Missing of commitment by company's top management**
- **It's important to recognize these difficulties and to follow a precise action plan in order to realize the change**

Organisational implications

- **Because BPR seeks to make radical changes in the way where company operates, it's necessary to make concomitant changes in the company as an organic entity**
- **Organisational and managerial aspects should be carefully considered in every phase of a BPR project**
- **The areas that need to be changed are:**
 - **Culture**
 - **Organisational structure**
 - **Performance measure**
 - **Incentive systems**
 - **Management style**

BPR practical rules

- 1. Focus on clear business strategy**
- 2. Helicopter view: top-down approach**
- 3. Core Business: max 3-4 core process**
- 4. Release your creativity**
- 5. Fluent and quick project**
- 6. High people involvement**

BPR & PMI

- **Strengths:**

- **Easier to define strategy end goals**
- **Lean organization**
- **Easy to communicate**
- **People very involved**
- **Mindset process oriented**

- **Weakness:**

- **Lack of resources**
- **Lack of confidence on management philosophy**
- **Lack of management skills**

BPR in few words...

- **Top-down reengineering system process oriented**
- **Main characteristics:**
 - Focus on strategy
 - Creativity
- **Lean organization model based on:**
 - People empowerment
 - Product innovation
 - Main aims:
 - Quality
 - Flexibility
 - Costs

BPR model

- **The BPR model is structured around following phases:**
 - a. Perceive** *the need of innovation*
 - b. Plan** *the change*
 - c. Design** *the ideal process*
 - d. Implement** *the reengineered process*

a. Perceive

- **During this step you will entry in “renewal room” (see the “change house” model)**
- **Use methods that help identifying needs for organisational innovation (check up, benchmarking, etc...)**
- **Listen to weak signals which come from inside and outside the organisation**
- **Involve the top management that has a huge role developing the need of innovation perception**

a. Perceive

- **Carefully evaluate the risk due to a missed innovation**
- **Catch different types of opportunity to start the change:**
 - **Changes in standards and laws (quality, environment, safety, etc.....)**
 - **Re-design of a whole product family**
 - **Realization of a particular client's order (i.e that requires higher performances than usual)**
 - **New technological or informational systems implementation (ERP – Enterprise Resource Planning, APS – Advanced Planning Optimizer, etc...)**

a. Perceive

- **Define long term objectives: how the company means to create economic value**
- **Define the organisational model to aim at mission:**
 - **Ex.1 – Supplier in automotive industry**
“become in three years, the first supplier of hydraulic pumps for our main client, through an organisation founded on quality, people’s high commitment and process flexibility”
 - **Ex.2 – Supplier of electronic components**
“change ourselves from a components supplier to a solutions supplier through a focus on clients in commercial, new product development and production processes”

a. Perceive

- **1. Define company's strategy and goals**

b. Plan

- **It's the first “practical” step where you'll forecast the requirements for the “new” process by focusing on customers' current and future needs, analyzing what the old process is currently accomplishing, creating a vision of what you want the reengineered process to achieve**
- **You will take a close look at the process you want to reengineer**
- **When you finish this phase, you should have a good trip on reality**

b. Plan

Definition of change

- **Identify the processes where it is necessary to operate coherently with the previous perception of needs and performance analysis**
- **Define the priorities and the timing of the change program articulated into different and sequential project, so that:**
 - **Each project would be focused and simplified**
 - **Each step could have higher commitment from top management**
 - **There will a progressive target approach**
- **Define the correct sequence of the actions which are necessary to implement the different steps of the change program, considering strategic priorities and opportunities offered by the internal and external context**

b. Plan

Preparation of organisational change

- **Communicate the change program to the whole organisation, showing the motivations, the mission, the objectives, ...**
- **Unfreeze the organisational status quo showing the inadequacy of organisation model with strategic vision**
- **Create a sense of psychological confidence accepting mistakes on new procedures application**
- **Verify that required competences are available into organisation and, eventually, acquire or develop them**

b. Plan

- **2. Determine “new” process requirements (critical process individuation)**
- **3. Uncover “breakthrough” opportunities:**
 - Analyze “as is“ capability (process mapping)
 - Envision desired state
 - Identify process performance “gaps” (target definition)

c. Design

- **This phase takes you from the actual mapping of the new process to the development of a change management plan**
- **You will be redefining and redesigning jobs, taking a careful look at the technology available and considering your organization's resources**

c. Design

Team definition

- **Consider each step of program change as a project, thus all stakeholders must be involved**
- **Choose project manager and define team: functional managers, process client, stakeholders, consultants, ..**
- **Make sure that:**
 - **BPR objectives and commitments are clear and shared among team members**
 - **Competences and resources needed are available**
 - **Constant support from top management will be assured**

c. Design

New organisation design

- **Analyze current situation starting from previous phase (“As is“ situation) considering all process elements (process mapping) and its performances (time, costs, quality)**
- **Consider problems and their causes identification with change and improvement opportunities**
- **Develop operative proposals with new organisational model starting from the problems previously identified.**

c. Design

Change program evaluation

- **Analyze the organizational resistance to the change. For each change it's necessary to:**
 - Analyze depth and width of the gap between “present” and “target” situation
 - Analyze the perceived advantages and the resistances
 - Evaluate the commitment level in the project
 - Identify actions necessary to overcome these barriers: working on communication, planning and incentive system
- **Evaluate the change from economic and financial perspective:**
 - Incremental cost (training, new technologies, transitory inefficiencies, ...)
 - Incremental benefits (from performance improvement and higher efficiency levels after change)

c. Design

- **Investment's evaluation has to be undertaken with reference to present situation**
- **Evaluate intangible and long-term benefits too**
- **Carefully evaluate investment's risks**
- **Consider portfolio effects**
- **Analyze options opened by investment**

c. Design

Change program's evaluation advantages

- **Stress of innovation's benefits**
- **Help to overcome change resistance**
- **Help in identification of resources needed**
- **Opportunity to realize a precise investment's feasibility analysis**
- **Explicit target useful for reward and purposes control**

c. Design

- **4. Map the ideal process**
 - Complete preliminary work
 - Set new targets and establish measures
 - Create a new process flow chart
- **5. Redefine process support requirements (people, technology and finance)**
- **6. Develop change management plan**

d. Implement

- **During last phase you'll be testing out the new process, encouraging commitment to it, and gauging its success**
- **You'll work toward promoting an atmosphere of continuous process improvement in which employees strive to make improvements that make a difference to the customer**

d. Implement

Change program realization

- **A pilot project could be interesting with deep and wide change to implement**
- **Pilot project starting advantages:**
 - **Helps concentrating the team's effort on a narrow area**
 - **Gives the opportunity to test the change program on a small scale**
 - **Increase the success probability of implementation with positive effects on the organisational climate and on change resistances**
- **Diffuse the organisational change in the whole company**

d. Implement

- **It's important to deep in organization change avoiding moving backwards to the past organisational model**
- **Some strategies to reach this objective are the following:**
 1. **Remove definitely the old systems (IT, procedures, ...)**
 2. **Include the new required behaviours into formal procedures (reports, reward systems, IT, ..)**
 3. **Carefully verify that all problems and misunderstanding are faced before moving to other areas or processes**
 4. **Evaluate processes and the continuous improvement of their performances**

d. Implement

- **7. Implement on “trial run” basis and standardize the reengineered process**
- **8. Evaluate process performance on an ongoing basis**