BPR - Business Process Reengineering

Design

Marco Raimondi
e-mail: mraimondi@liuc.it
BPR - Design

4. Map the ideal process
Map the ideal process

• To map your ideal process, you must:
  – Complete preliminary work
  – Set new goals and establish new measures
  – Create a new process flow chart
Complete preliminary work

• You’ve identified process performance gaps in the previous step

• Before you sit down to draw an actual map of the new process, you and your team must decide how you can close those gaps

• Maybe you’ve already decided upon a design that will achieve breakthrough opportunities

• More than likely, however, you still have to consider the following suggestions:
Suggestions

• Can we make the process simpler?
  – Is our language or are our explanations too complex?
  – Can we make them simpler?
  – How about paperwork?
  – Is there a way to simplify forms, reports, even memos?
Suggestions

• Are we asking for unneeded reports or data?
  – Are there any parts of the process that can be eliminated?

• Can technology help?
  – What tools or equipment can improve the process?
  – How they improve it?
Suggestions

• Is new computer hardware or software necessary for our reengineering effort?
  – Will we need to provide training for any new equipment?
  – Do we need training to use already existing equipment?

• Can we reduce time and/or cost?
  – Where are the delays in our current process?
  – Are steps designed in the correct order?
  – Where are we getting the least amount of return?
Process Design Alternatives Worksheet

- These considerations, although general, apply to most organizations looking to improve processes
- Don’t attempt to reengineer a process unless you realize the existence of your current process’s deficiencies
- You can use the following Process Design Alternatives Worksheet to help your team think through your process
- Also encourage your team members to share their ideas and conclusions with employees involved
Goals and measures

• Set goals and establish measures worthy of your reengineering effort but also be realistic

• Your best bet is to set goals and establish measures that at least meet customer requirements: from there try to meet what competitors provide
New process flow chart

- Reengineering involve more than pinning up your old flow chart and tearing off chunks of it
- Reengineering a process mean that you are doing something new, not just reducing the old
- The new process flow chart need also be checked by the experience of employees working directly with the process after you’ve finished flow charting it
Eliminate uncertainties

- Next three steps:
  - Solicit input
  - Design
  - Verify

- ...you will encompass more possibilities and eliminate more uncertainties in your new process flow chart

- Mapping the ideal process is the best approach, next you will work on redefining your process support requirements
Reengineering approach

• **Old approach (too expensive in term of money and time):**
  1. Deep analysis
  2. Faultless execution

• **New approach (more effective and cheaper):**
  1. Quick planning
  2. Experimentation and analysis
  3. Feedback to modify & re-design ….
To be creative

“BPR is a creative activity where analysis, innovation, experimentation and learning are following each other indissolubly”
Re-engineering pattern

- It’s a no-structured activity where are important following milestones:
  
a. Removal of “no-value” operations
b. Information flow optimisation
c. Focus on parallel/overlapped activities
d. Differentiation of Standard vs. Complex activities
e. Differentiation of Core vs. Staff activity
f. Change controlling system
g. Advanced technology oriented approach
Re-engineering pattern

h. Check information technology support system
i. Create process units
j. Focus on customer needs
k. Introduce overall skills
l. Define process owner/manager profiles
m. Introduce proxy system
n. Define dedicate and skilled staff
o. Re-organize supply chain
p. Define unit batch
q. “Pull” planning systems
r. Introduce evaluation and remuneration system
s. Establish recruitment and career systems
a. “no-value” or “trash” operations removal

• All no-value operations must be deleted

• Ex.:
  – Useless report
  – Duplicated authorization connected to hierarchical organization
  – Downstream corrections of upstream mistakes
b. information flow optimisation

• Complex flows of documents or paper must be identified and deleted

• Ex.:
  – Documents or information outward-return
  – Hierarchical controls paper
c. focus on parallel activities

• Cycle time reduction can be achieved starting downstream operation before ending upstream

• More sequence of operations, after analysis, could be developed in parallel

• Parallel execution (when possible) mean time (and cost) saving
c. focus on overlapped activities

• Overlapping it’s more difficult than parallel approach

• It’s necessary to analyse deeply any process aspect before to decide about possible overlapping

• Overlapping process mean information exchange between functions and activities

• Ex.
  – New product development process: it’s necessary to define specific interfaces between products and process engineering functions
d. standard vs. complex activities differentiation

- Standard vs. complex activities differentiation mean:
  - HR costs saving
    - Wage differentiation (line employee-expert)
    - Skills and know-how better focused
    - High people motivation
  - Automate standard activities
  - Process time reduction (ex. credit allowance)
  - Possibility to work in parallel (ex. order data entry)
e. core vs. staff activities differentiation

- Core vs. staff activities differentiation mean:
  - Concentration of forces on core activities improvements (value operations)
  - Different evaluation for staff activities (no-value operations):
    - Outsourcing of no-value operations
    - Parallel carrying out (ex. Orders in charge to production planning - supplier/agreement portfolio in charge to purchasing dept.)
    - Possible synergies with other divisions (ex. accounting, HR, IT, …)
f. control system change

- Managerial control must be erased when it expand standard lead time
- Whole organization must focus on value delivery
- It’s better to concentrate efforts on punctual activities check and control
  - ex. Purchasing vs. Accounting invoices control activity
g. advanced technology oriented approach

• Use of specific know-how to carry out process

• Main issues:
  – Conflicting partnership between different functions
  – Language discrepancies
  – Lack of understanding
  – Managers interaction (defensive approach)
  – ……

• Ex.
  – QFD: Quality Function Deployment to integrate new product development process between different functions (R&D, Manufacturing, Marketing, Purchasing, Quality, …)
h. IT support system

• IT systems are the preferential way to support BPR for more reasons, if fact they are:

  – Process oriented by definition
  – Promoters of new communication channels
  – By-pass solutions for hierarchical obstacles
  – Easy to use to develop automatic solutions
  – Very flexible and change drivers
i. process unit creation

- Introduction of process units instead of functional organisation

- Specific process units can be organized in term of people, activities, skills, know-how, machinery,.....

- Each unit must be self governing to carry out the process autonomously
i. process unit creation

• Customer and process oriented people with different cultures

• Relationship inside the unit must be self-managed by members

• Unit manager will take a role of “coach” of 20-30 people per unit

• Ex.
  – Volvo: 740-760 mod. manufacturing zone
j. focus on customer needs

• The challenge is to avoid delay or misunderstanding in customer service

• Ideally everybody in the company should attend every customer

• Xerox introduced a specific program named ICS (Integrated Customer Service) system:
  – Information technology support
  – Training systems
h. overall skills

• Introduction of team members enable to carry on every activity in a process

• Case manager as a skilled team leader

• Many advantages:
  – Pack of activities
  – Flexibility
  – Sickness
  – ……
I. process owner & process manager

- The process owner has the following characteristics:
  - Process team co-ordination (coach)
  - Responsible for project effectiveness and efficiency (problem solver, trainer, ...)
  - No hierarchical authority on team members
  - He’s appointed process manager only in case will be create a process units systems
I. process owner & process manager

• the “boss” profile is changing into a “leader” perspective:
  
  – from “order” $\Rightarrow$ to “explain targets”
  
  – from “control peers” $\Rightarrow$ to “control process”
  
  – from “judge the best” $\Rightarrow$ to “discuss opportunities”
  
  – from “distribute benefits” $\Rightarrow$ to “manage resources”
  
  – from “decide everything” $\Rightarrow$ to “persuade about solutions”
  
  – from “defend unit from outside” $\Rightarrow$ to “solve problems of interface with other company entities”
m. proxy system

- “delegate lower levels” mean “make easier and more flexible the whole process”

- Different assignments:
  - Targets, strategy ⇒ manager
  - Unit organization ⇒ operative level

- Operative performance index can be delegate directly to each unit (Build-in feedback), taking on management only global process performance indicators
n. skilled staff definition

- Process re-engineering normally re-design and reduce staff activities

- Line employees are charged of all operational activities

- Staff employees:
  - Support and update line
  - Take in charge complex cases
  - Develop strategic activities (ex. 3M case - purchasing dept.)
o. supply chain re-design

• During process re-design the choice “Make or buy” is one of most critical decision

• 3 evaluation criteria

  1. Skills: who is making best this activity today?
  2. Best cost/price: who could make this activity more efficiently than us?
  3. Strategic context:
     1. Which would be the consequences of this choice for my core business?
     2. Which new extra-value for our customers after this supply chain re-design? (Wal Mart – P&G case)
p. unit batch

- This approach suggest to proceed with a new step if at least 1 unit of the “output” is completed

- This change can reduce lead time
q. pull planning systems

- To improve planning efficiency could be introduced a pull system (ex. Kanban) in place of traditional push system (ex. MRP)
  - Kanban model use identification cards from empty containers to full up them again
  - Last step “pull” previous steps reducing stocks of WIP
r. evaluation systems

• Middle management is normally adverse to BPR solution because of de-bureaucratization approach

• It’s necessary to change evaluation and remuneration system that must be:
  1. Process (not individual) performances oriented
  2. Focused on shared (not individual) responsibilities
  3. End-of-process (not step by step) performances considering
s. recruitment and career systems

- New recruitment approach: must be selected people that:
  - Accept responsibilities in changeable environment
  - Think about overall process perspective
  - Take in charge decisions and risks
  - Are outputs and targets oriented
  - Work for customers and outputs, not for their boss
  - Share success and benefits with the rest of their team

- To have a successful career mean to increase skills and experiences in horizontal context
Re-engineering environment

• Comfortable meeting room to hang all documents needed on the walls

• Clear and huge process flow-chart always consultable

• Clear and huge new process flow-chart proposal where would be possible easily add suggestions, changes, comments, ideas, ....
Capital investments request

• It’s necessary to evaluate as soon as possible an investments evaluation:
  – People training
  – New IT support systems
  – New technologies, devices,…

• It’s a difficult undertaking to evaluate true benefits but it’s possible to assess them approximately and to compare to real investments
The simplicity way

- The challenge: improving coordination inside company organization

- Two philosophy:
  - Classical: co-ordination instruments improvement (Matrix organization, staff activity, ...)
  - New: process organization simplifying
Organization re-design

- From “pyramidal-functional” model to “horizontal-federal” model where:
  - Each unit (max 4-5 corresponding to critical processes) is independent and making final output
  - Middle management will disappear
  - A general manager will coordinate structure with small staff
  - Information and communication systems are lean and horizontal
Design

5. Redefine process support requirements
Questions

• You have mapped your new process by creating a flow chart that identifies the steps in your process

• Now you have to decide what your new process require to support it

  – Will you need to redesign jobs?
  – Do you need new computer system?
  – What will it take for your reengineered process to operate as designed?
Areas

• You’ll be looking at three different areas of support when you redesign a process:
  – People
  – Technology, support tools
  – Finance
People

• Process reengineering includes a human element. If your process is completed by people, they will be impacted by the reengineering.

• Part of designing a reengineered process involves discovering how it changes the work people do.

• You might want to fill out a Role Transition Worksheet for each position that will change when your reengineered process takes effect.

• You’ll list the present and future job responsibilities. That will give you a handle on new job requirements.
### ROLE-TRANSITION WORKSHEET

<table>
<thead>
<tr>
<th>Present Responsibilities</th>
<th>Future Responsibilities</th>
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<tbody>
<tr>
<td><strong>Position Title:</strong></td>
<td><strong>Future Title:</strong></td>
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<table>
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<tr>
<th>Key Functions</th>
<th>Key Responsibilities</th>
<th>Additions (*)</th>
<th>Deletions (-)</th>
<th>Targeted Results</th>
</tr>
</thead>
</table>
Technology

• The potential of today’s technologies for controlling work, communicating and accessing information by employees, customers and suppliers is very high

• If you have identified a technological tool that will support your process, implement it into your design

• Benchmarking can be especially helpful here checking which technology is used by the competitors
Other supports

• Technology is often an essential ingredient of process reengineering but it takes more support to create a recipe for success

• Other categories of support tools such as office furniture, new forms, additional telephones, electric panels, signs, etc., may not appear essential but in reality are definitively necessary

• Look at the flow chart of the new process and list what is necessary to implement: if you need more people you need office space too

• Talk to the employees who will be affected by the reengineered process: if they realize that you are open to their concerns and opinions, your implementation will go much smoother
Finance

- Wouldn’t it be great if you could go ahead with your reengineering plan without having considered its cost?

- You want your reengineering effort to have a positive impact on your organization.

- You don’t want to achieve market improvement if it will ruin your organization financially.

- You will have to conduct a cost/benefit analysis of your reengineering project to determine whether it’s advisable to move forward.
Cost/Benefit analysis

• Can be described as a complete, realistic comparison of costs and resulting benefits associated with implementing a decision

• If you’re contemplating whether to recommend continuing with the reengineering effort, you’re probably weighing a number of cost/benefit considerations:
Considerations

• What are the current and desired states and their corresponding measures?

• What are the realistic costs related to reengineering?

• What tangible and intangible benefits will result from the reengineering effort, both long and short term?

• Which benefits are most important to customers?

• How will we ultimately balance the cost and benefit factors to make a decision?
Cost/Benefit worksheet

• Determine cost/benefit categories for your organization then gather the data for each (guesstimating when necessary) and calculate cost/benefit relationship

• If the benefits appropriately outweigh the cost, you have the green light to begin developing your change management plan
**COST/BENEFIT MODEL**

The Cost/Benefit Model consists of the following four steps:

1. Clarify Reengineering Option
2. Determine Cost/Benefit Categories
3. Gather Necessary Data
4. Calculate Cost/Benefit Relationship

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**Step 1: Clarify Reengineering Option**

- Describe the proposed option
- Verify the option’s link to specific organization-wide goals/Key Result Areas
- Summarize predicted/expected process performance gains
- Determine whether cost/benefit analysis is really worth doing (Is an option already a given?, Is it too expensive to do cost/benefit analysis for this option?, Is it a politically influenced situation, for which cost/benefit analysis is just an exercise?, etc.)
- Build (and get sign-off if necessary) a cost/benefit analysis project plan (objectives, roles, deliverables, dates, etc.)

**Step 2: Determine Cost/Benefit Categories**

- Locate similar, valid efforts to identify categories and line items; can lean on company archives, finance people, professional associations, other companies, resources such as libraries and on-line services
- Partner with knowledgeable people (finance, subject-matter experts, workers close to the option, customers) to brainstorm cost/benefit categories and line items; make it a team effort to ensure creative and comprehensive brainstorming and refining
- Refine categories and line items to final list; input on “Cost/Benefit Calculation Worksheet”
**COST/BENEFIT MODEL**

(continued)

3. Gather Necessary Data
- Use appropriate data gathering methods
- Document assumptions completely and accurately
- “Guesstimate” when necessary
- Project results as realistically as possible
- Calculate relational benefits where appropriate

4. Calculate Cost/Benefit Relationship
- Project cost/benefit over appropriate time periods (1 year, 2 years, etc.)
- Consider contingencies
- When possible, develop three possible scenarios of cost/benefit analysis: Best, Probable, Worst
- Make sure as many possible “what if’s” are considered and accounted for during analysis
- Avoid slanting, hiding, or inappropriately overemphasizing data
- List appropriate conclusion(s)/recommendation(s)
### COST/BENEFIT CALCULATION WORKSHEET

**Scenario:**
- [ ] Best
- [ ] Probable
- [ ] Worst

All figures are:
- [x] Annual
- [ ] Monthly
- [ ] Other__________________

<table>
<thead>
<tr>
<th>COSTS</th>
<th>BENEFITS</th>
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<tr>
<td><strong>Category/Process Factor</strong></td>
<td><strong>Amount</strong></td>
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<td>Labor Category</td>
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<td>Equipment/Materials Category</td>
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<td>Other Categories</td>
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<th>Totals</th>
<th>Ongoing:</th>
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<th>Totals</th>
<th>Ongoing:</th>
<th>One-time:</th>
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**COST/BENEFIT CALCULATION WORKSHEET**  
*(continued)*

<table>
<thead>
<tr>
<th>Comparison Of Costs And Benefits</th>
<th>Year 1 (One-time + Ongoing)</th>
<th>Year 2+ (Ongoing)</th>
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<tr>
<td>Total Benefits =</td>
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<td>Total Costs =</td>
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<td>Difference (Benefits - Costs) =</td>
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*(if the difference is positive, the option being considered may be viable; however, the magnitude of the difference should be examined. See the section below.)*

**Magnitude Of Difference**

ROI = Return On Investment

\[
ROI = \frac{\text{return} - \text{investment}}{\text{investment}} \times 100 = \frac{\text{benefits} - \text{ongoing costs}}{\text{investment} - \text{one-time costs}} \times 100 = \text{%}
\]

**By End Of Year 1**

**By End Of Year 2**

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**Conclusion(s)/Recommendation(s)**
Design

6. Develop change management plan
Consider organizational impact

- You need to analyze the impact of your reengineered process

- Too many companies neglect this important step because they feel analysis is a waste of time but in fact isn’t

- Analyzing the impact is critical if you desire your new process to radically change the way your organization operates
Considerations

• Who and what will be impacted, and how?

• What emotional factors need to be incorporated into the change management plan?

• How will the plan be monitored?

• Have all those who will be affected by the reengineered process been consulted about potential impact?

• Will the plan be designed to foster involvement and commitment to the recommended changes?
Who and what will be impacted, and how?

- Your team has already identified the tasks and organizational factors that will be affected by your reengineered process.
- You have already soliciting information from your employees.
- Now you need to take a closer look at the specific impact.
Who and what will be impacted, and how?

• Write new job descriptions for those whose job will change

• Draw out the new organizational structure and write a new mission statement or list your organization’s new values

• List all employees whose work processes, work style, attitudes will have to change

• Decide how the employees will be impacted by the changes
What emotional factors need to be incorporated into the plan?

• Emotions will run high when a change is in progress and may become uncontrollable

• The team will have to incorporate into the plan some way to manage emotions

• Consider ways to manage resistance, anger, anxiety, enthusiasm, excitement
How will the plan be monitored?

• For your reengineering effort to reach its goal of unprecedented improvement you will have to monitor it effectively

• Considerations include:
  – Who will direct your change management plan?
  – Who should be involved in identifying and resolving key issues?
  – What kind of tracking system will you use
  – What methods will you use to incorporate additional points into your plan?
Who affected by the process has been consulted about impact?

• This issue needs to be dealt with continually

• At every step in each phase you need to consult those who will be impacted by the reengineered process

• Even after the changes are implemented, this issue will still be important

• You may discovered that the effort will affect many more employees than you originally thought: get them involved in the effort, ask for their input and see to it that you use it to your advantage
Will the change management plan foster involvement?

- If your organization’s employees are committed to the reengineering effort, your ability to make a radical change is enhanced.

- Help all those affected by the change to keep the greater goal foremost in their minds.

- You should have already been communicating your intent and in particular:
Why the process being reengineered?

• Let them know the driving force behind your effort: customer needs, competitive advantage, etc…

• If your organization would fold without this last-ditch attempt, say so

• Knowing their jobs would be in jeopardy without this move can be a great incentive to support it
What are the benefits?

- Will customers flock to your organization?
- Maybe they will be given more decision-making opportunities, as the layers of the organization are stripped away
- They may learn new skills, which will increase their opportunities
- It could even be that the whole atmosphere or environment will be more conductive to their input
Are there any employees that need to be addressed

- Think about what fears they may harbour
- Do they feel they will have to work much harder?
- Are they afraid they will lose their jobs?
- Maybe they are afraid some of their power will be taken away
- Answer each concern as honestly as possible
- Don’t minimize risks but do focus on the benefits
Design your change management plan

• Do so by:
  – Identifying change management plan requirements
  – Choosing a planning process and format
  – Deciding how to move the Action Plan forward
Identifying change management plan requirements

• You need to decide what you will need to get you from the old process to the new one

• What will it take?
  – Time hiring temporaries?
  – Money?
  – Acting managers or consultants?
  – New roles?
Choosing a planning process and format

• Listing the requirements is not enough

• Your team will need to devise an Action Plan that is both detailed and specific

• Make sure it includes all major activities and then details specific responsibilities and timetables

• To best ensure a flawless execution you should consider also:
  – Communication systems
  – Feedback
  – Contingency plans
Deciding how to move the Action Plan forward

• If you have planned sufficiently your people are aware of the effort and are willing participants

• Decide how you’ll kick-off the effort

• Keep employees excited about the changes

• Make sure that:
  – Proper attention is given to roles, responsibilities, structures and resources
  – Change effort is made a top priority
  – Needed resource people are freed up from their normal responsibilities
  – Implementation timetable is realistic
Suggestions

• List all people and areas that will be impacted by your process reengineering effort and explain how

• Check the emotions you expect from employees during implementation of the new process (excitement, enthusiasm, disbelief, anger, resistance, anxiety, other......)

• Describe how you will monitor your change management plans
Suggestions

• How will you gain involvement and commitment to your reengineered process?

• Complete a detailed action plan for at least one change in your process reengineering effort. Be sure to include tasks, persons, responsibilities, timetables, estimated hours, estimated costs

• Use specific forms to develop your project
**PROCESS TASKS WORKSHEET**

<table>
<thead>
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<th>TASK #</th>
<th>MAJOR PROCESS TASKS</th>
<th>SUBTASKS/DECISIONS</th>
<th>SYMBOL</th>
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<td>Task/Responsibility Matrix</td>
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<thead>
<tr>
<th>ACTION STEP/ TASK</th>
<th>RESPONSIBLE PERSON/TEAM</th>
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<th>END DATE</th>
<th>Est. HOURS</th>
<th>Est. COST</th>
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Actors

- Steering committee
- Process owner
- Business process manager
- Re-engineering team (core team)
- Outsiders
Steering committee

• Top management + process owner

• Tasks:
  – Responsible for project co-ordination
  – Critical process definition
  – Process mapping evaluation
  – Targets identification
  – Process owner appointment
  – Resources allocation
Steering committee

- Other Tasks:
  - New process approval
  - Controversy settlement
  - Project support
  - Cross-functional communication
Process owner

• Reengineering team co-ordinator

• Project leader

• Profile:
  – Functional manager involved in BPR
  – Skilled on company activities
  – High motivated on project results
  – Flexible and performed “Coach”
Business process manager

• External consultant

• Skilled on methodological aspects

• Responsible for:
  – Steps definition
  – Process mapping method
  – Team constitution
  – Implementation monitoring
Re-engineering (core) team

- Managers representatives from company functions involved in the project + HR manager + IT manager + other partners representatives
- Tot. max 4-5 elements to keep efficiency and effectiveness
- Possible “flexible” solutions to evaluate
Re-engineering team

• Team members characteristics:
  – Helicopter view
  – Operational skills
  – Authority
  – Creativity
  – Flexibility
  – High motivation
  – Full time involvement
Re-engineering team

- Clear targets and responsibility circle must be declared
- Customer oriented mindset
- Recurring meeting between re-engineering team and steering team to decide investments and modify strategy
Organization model

- Steering committee
  - Controlling Resources distribution
  - Communication
  - Motivation
- Process owner
  - Appointement
  - Participation
- Business Process Manager
  - Appointment & Control
  - Methodological support
- Core team
  - Methodological support
- Operations team
Outsiders

• Skilled people could “block” the re-engineering process

• “Outsiders” are necessary to introduce new concepts

• External consultants could help the process

• Right solution doesn’t exist; functional solution must be shared
Communication

• Transparent communication inside organization is a key success factor on BPR project

• Many communication channels:
  – CEO individual letter or e-mail
  – Meeting to update about process
  – Billboard communications
  – .......
Training program

• Re-engineering team:
  – Modelling instruments
  – Simulation software
  – Experimentation technique
  – Performance monitoring know how

• Process owner:
  – Coaching skills
Training program

• Business process manager:
  – BPR management
  – Core process definition techniques
  – Process mapping systems

• Training “on the job” and when “it’s necessary”
Mindset changes

- Why “change is necessary?”
- Change can be made only if people understand “why”
- Often this mean to give up privilege or power
- Slogan:
  “You don’t say to people it’s necessary to change; you must change before”
Top management training

- Top management must be trained about BPR milestones.

- Different workshops:
  - BPR: strength/weakness
  - Top management involvement
  - Effective strategy for:
    - Change opposition
    - Commitment showing