

June 2010

Knowledge Hour

Business Process
Re-engineering

New Zealand Business Excellence Foundation



How do we improve our organisations?

Conducting regular assessments to identify improvement opportunities

Using Benchmarking to prevent “reinventing the wheel”



Aligning business processes to meet customer requirements

Adopting a “Continuous incremental improvement” approach

Focusing on improving performance & capability across the whole organisation

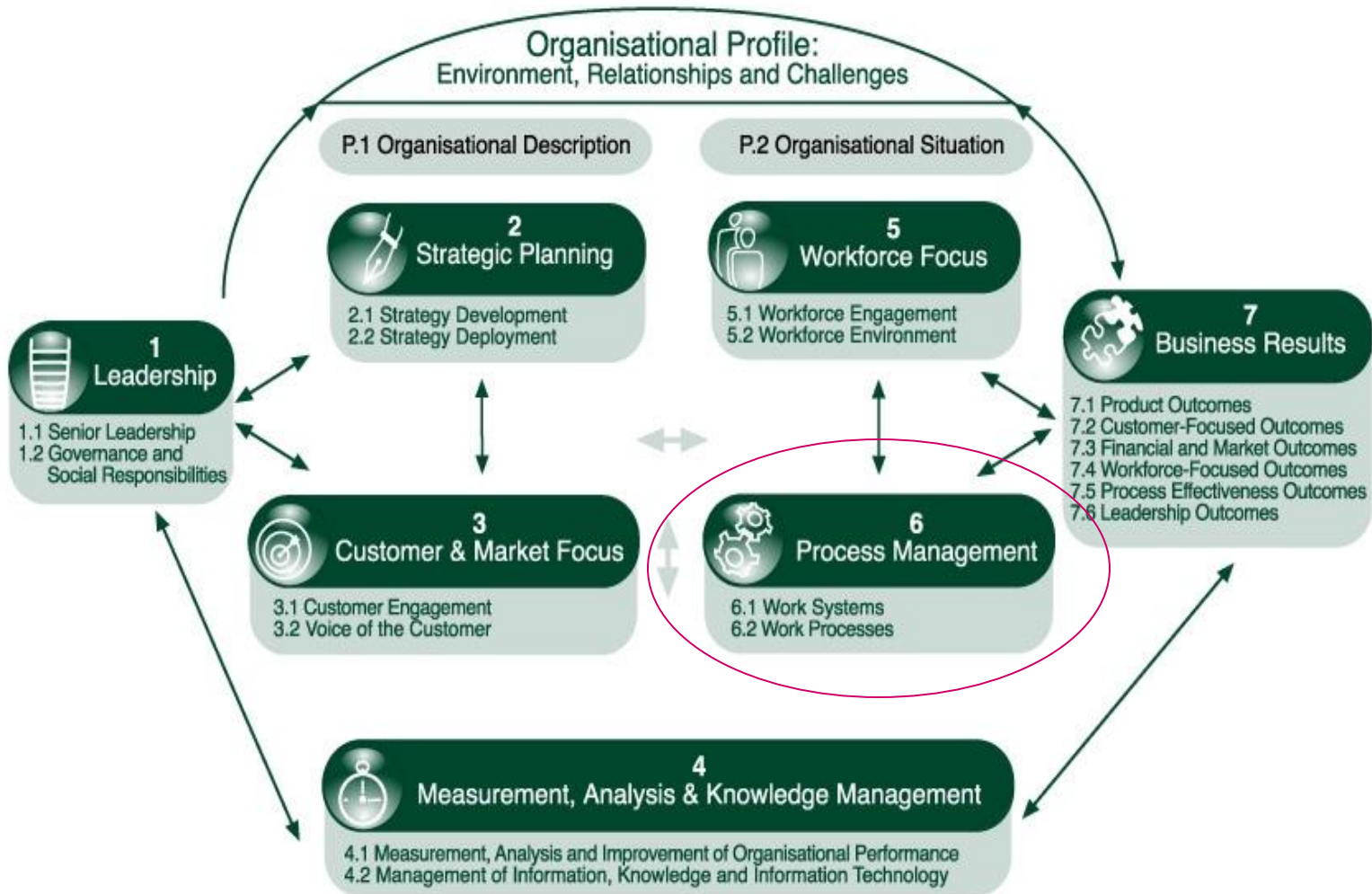
What are the Options available?

- Baldrige Criteria for Performance Excellence - **CPE**
- International Organisation for Standardisation - **ISO**
- Total Quality Management – **TQM**
- Six Sigma
- Lean
- Theory of Constraints - **TOC**
- **Business Process Re-engineering - BPR**
- Balanced Scorecard – **BSC**
- Customer Relationship Management **CRM**



Criteria for Performance Excellence - Actionable Framework

A Systems Perspective (2009-2010)



BUSINESS IMPROVEMENT FRAMEWORKS

The most common in use – NZ & Internationally

THE INTERNATIONAL BUSINESS EXCELLENCE FRAMEWORK – The Criteria for Performance Excellence						
Focuses on organisation wide activity and promotes alignment & consistency						
<u>Leadership</u>	<u>Strategic Planning</u>	<u>Business Results</u>	<u>Measurement & Analysis</u>	<u>Process Management</u>	<u>Customer & Market Focus</u>	<u>HR Focus</u>
		<u>ISO 9000</u> Focuses on Product quality & compliance				
		<u>Balanced Scorecard</u> Focuses on Measurement			<u>CRM</u> Focuses on Customers	
		<u>Six Sigma</u> Focuses on reducing process variation_				
		<u>Lean</u> Focuses on waste reduction				
				<u>Business Process re-engineering</u> Focuses on process improvement using benchmarking		

Source – NZ Ministry of
Economic Development 2006

Where did BPR originate?

- Michael Hammer 1990 and James Champy
- A need at the time for a model to address issues of competitiveness in the US due to an influx of foreign competitors
- Book - Reengineering the Corporation 1993
- Book - The Reengineering Revolution 1995
- Endorsed by Davenport, Drucker, Peters and others



Business Process Re-Engineering

Business process reengineering (BPR) began as a private sector technique to help organisations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors.

The Official Definition:

Business process re-engineering is the fundamental rethinking and *radical redesign* of business *processes* to bring about *dramatic* improvements in performance.

“There’s no point in adding ABS to a horse and buggy”!

A key rhetorical question

If I were re-creating this company today, given what I know now and the current level of technology, what would it look like and what would I do differently?

Business Process Re-Engineering

Critics were fast to claim that BPR was a way to dehumanize the work place, increase managerial control, and to justify downsizing, i.e. major reductions of the work force, and a rebirth of Taylorism, (labour efficiency), under a different label.

Despite this critique, reengineering was adopted at an accelerating pace and by 1994, as many as **65%** of the Fortune 500 companies claimed to either have initiated reengineering efforts, or to have plans to do so. This trend was fueled by the fast adoption of BPR by the consulting industry.

Success Stories

- American Express reported reducing its annual costs by over \$1 billion through reengineering
- AT&T's Global Business Communications Systems unit turned a 9 figure loss into a 9 figure profit by reengineering processes
- Texas Instruments reduced the cycle time of its order fulfilment process by more than half
- Progressive Insurance reduced claims cycle time from weeks to days and dramatically improved customer satisfaction as well as reducing costs
- General Motors, Dell, HP, Ford, etc, etc



Issues with the BPR approach

1. BPR assumes that the factor that limits organisational performance is the ineffectiveness of its process(s).
2. BPR assumes the need to start the process of performance improvement with a “clean slate”, sometimes a more gradual and incremental change may be a better approach.
3. There is, as always, a commitment in terms of people / resources and organisations often bite off more than they can chew
4. Benchmarking efforts in particular are often compromised and can affect the quality of the outcomes.

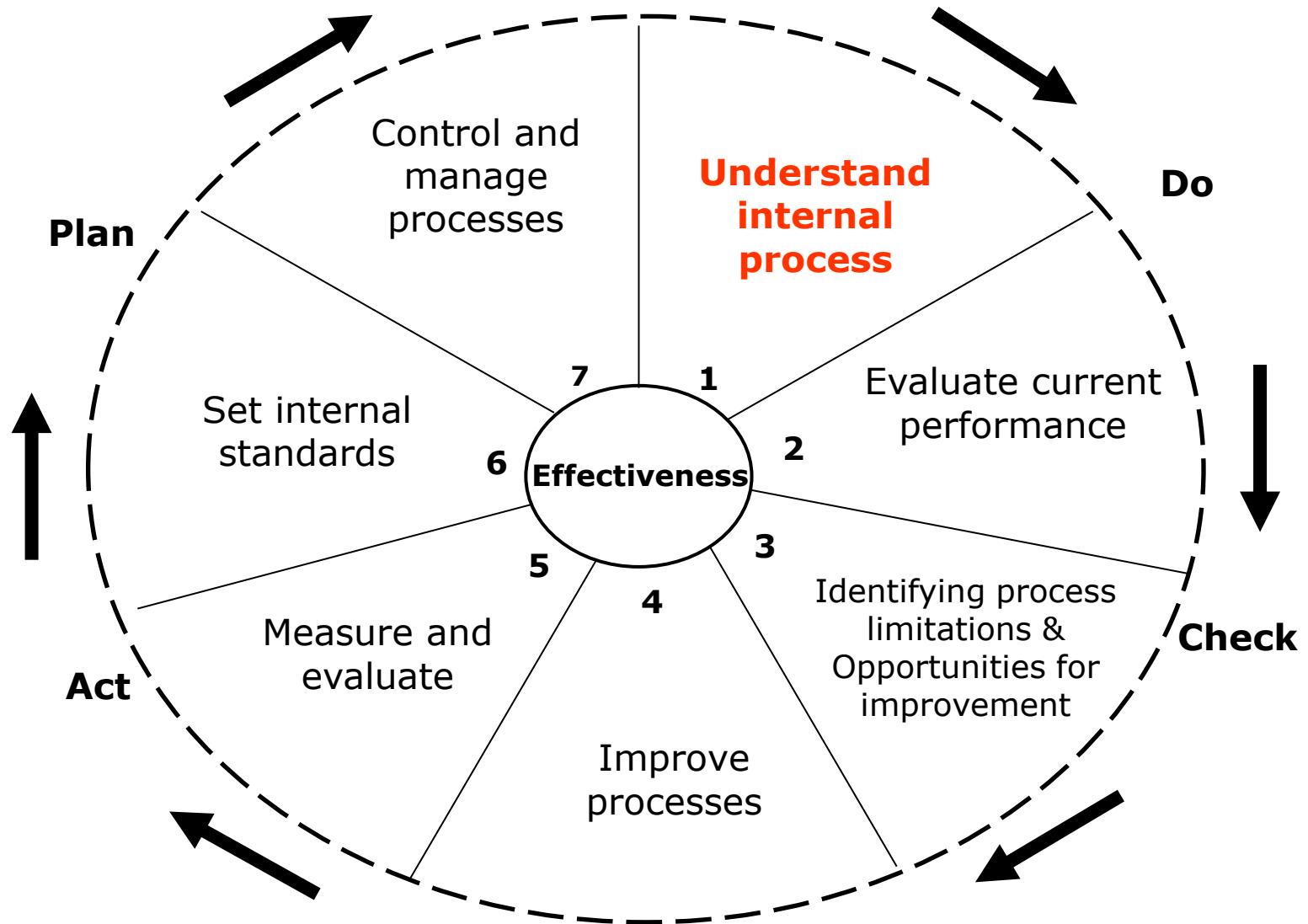


Business Process Re-Engineering – Key Stages

- 1. Preparing and organising your team for business process redesign**
- 2. Conducting research with your customers and employees**
- 3. Establishing how it is currently done**
- 4. Benchmarking with other companies and uncovering new and better ways of doing things**
- 5. Designing the new process, organisation and technology solution**
- 6. Implementation**
- 7. Monitoring & Review**

Organisational Excellence - Stage 1

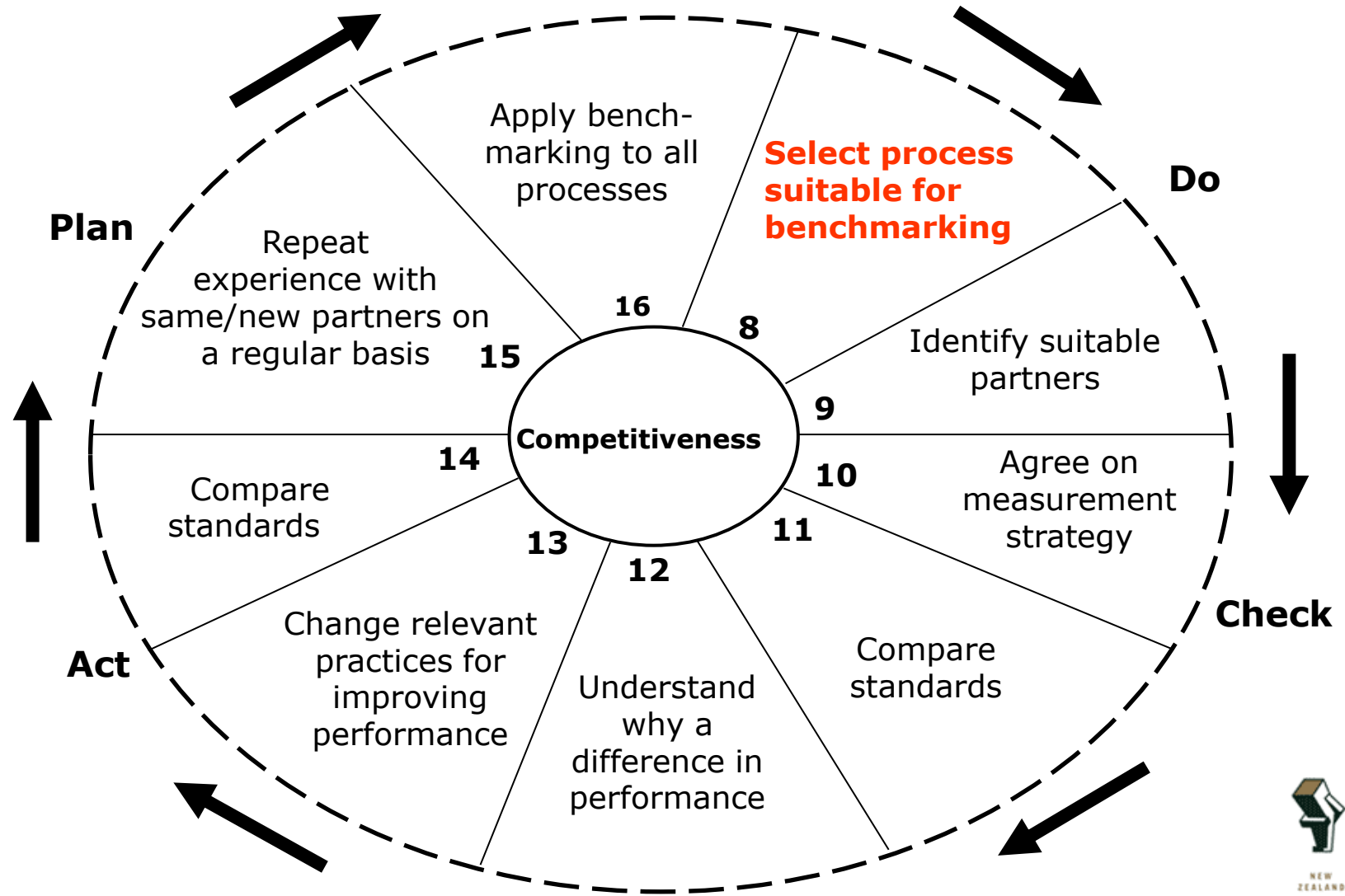
Self-Assessment (Effectiveness)



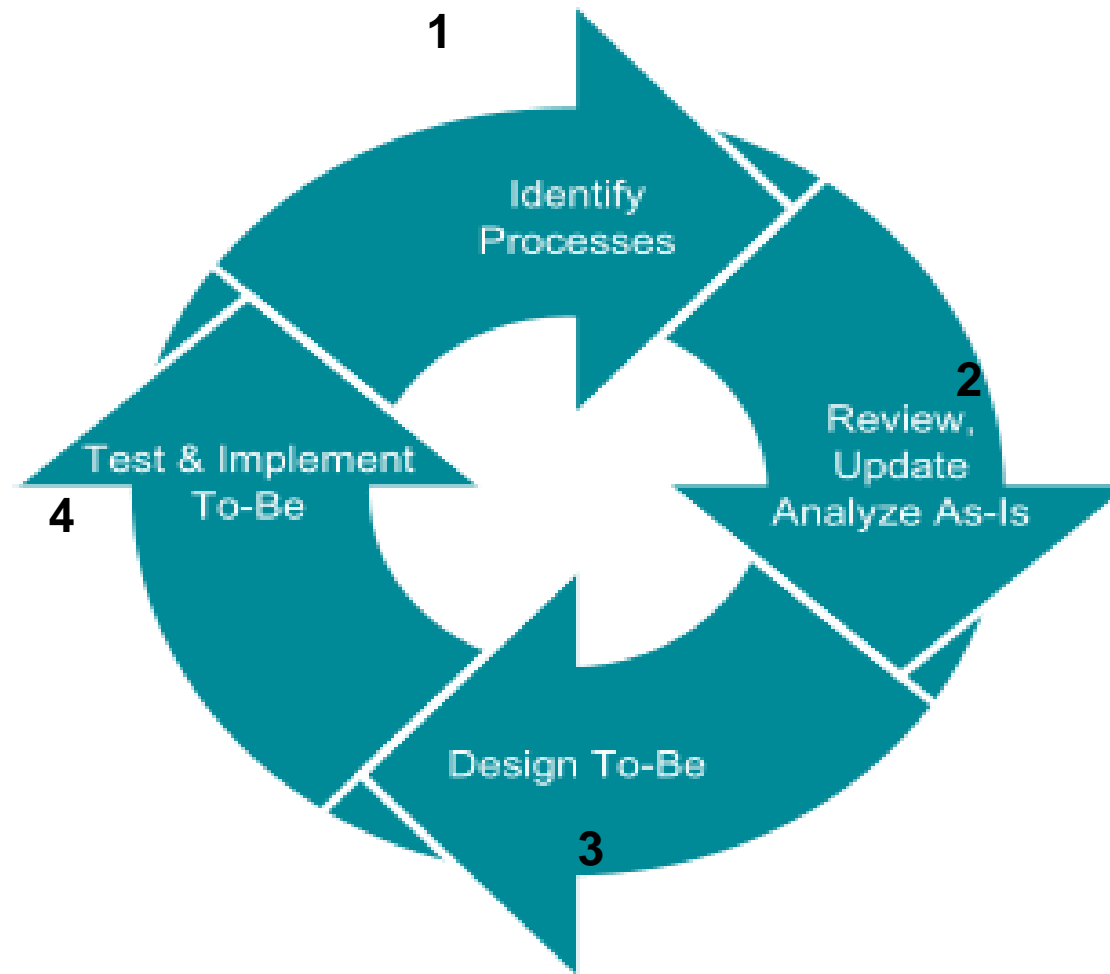
Source: Adapted from Zairi, 1994, Measuring Performance for Business Results

Organisational Excellence - Stage 2

Benchmarking (Competitiveness)

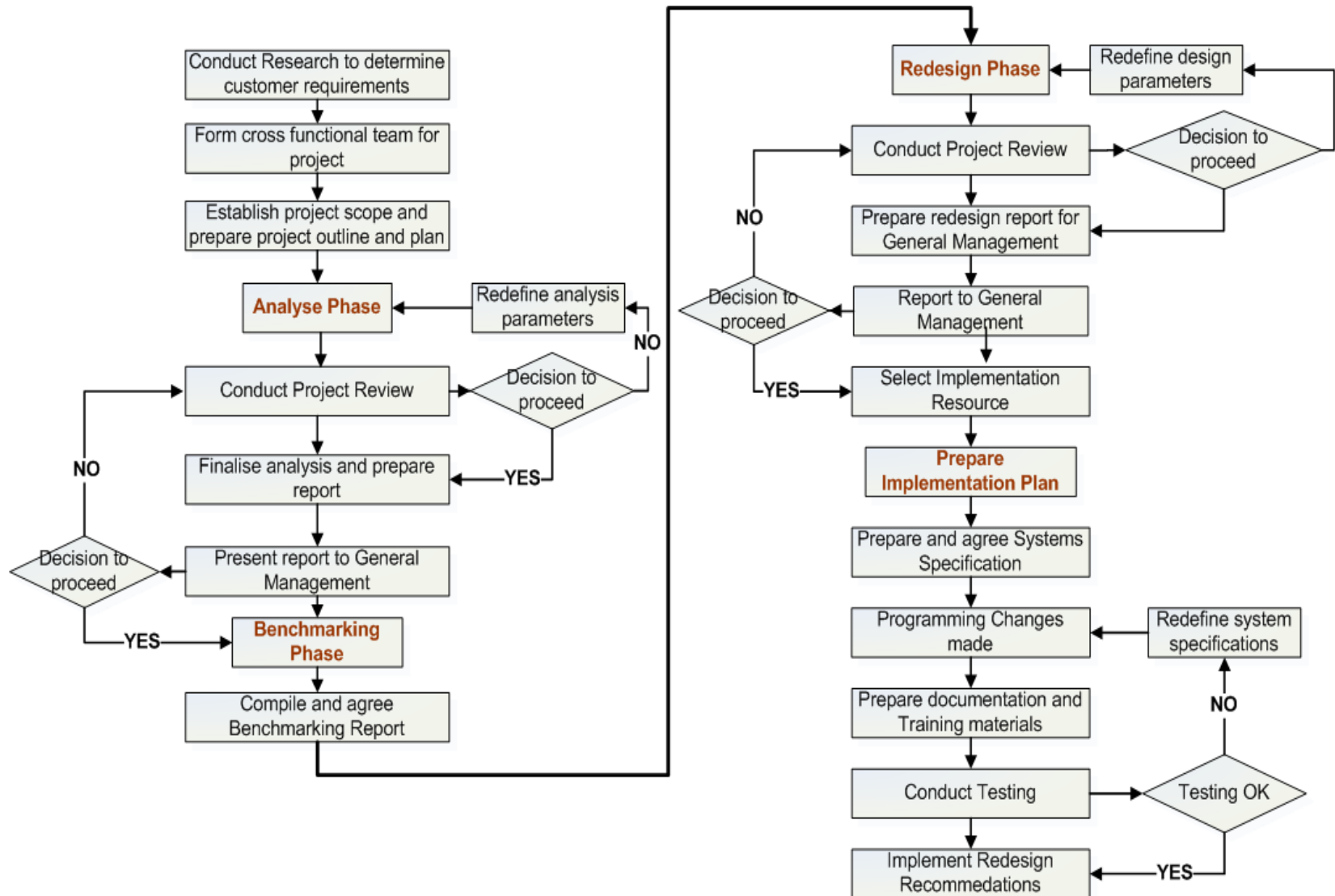


From a simple high level
model

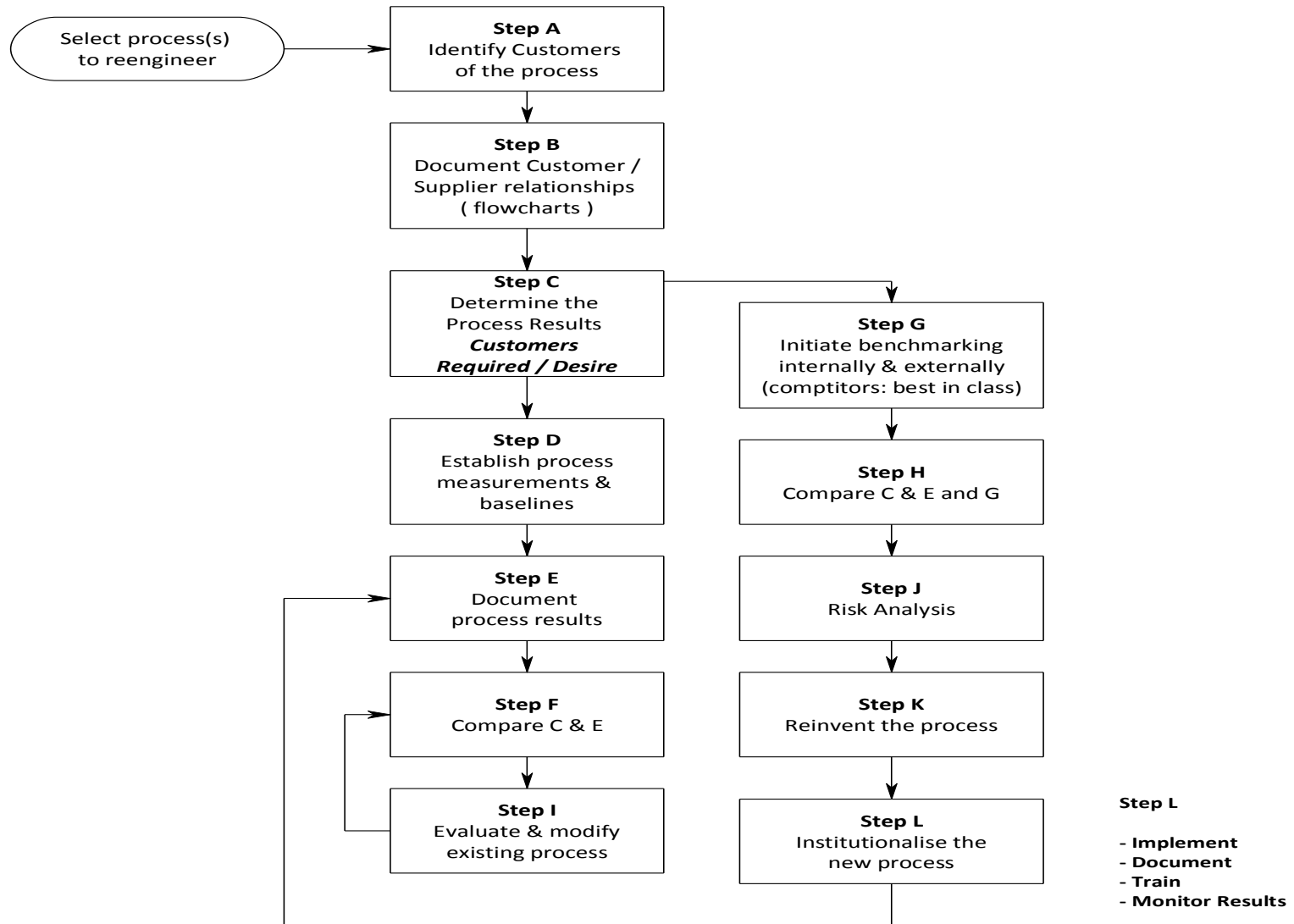


Business Process Reengineering Cycle

Business Process Re-engineering Process



Golden-Pryor Improvement Flowchart



Source: Mildred Golden Pryor and William Donald Pryor, Process Reengineering, Centre for Excellence, A partnership between Raaytheon E-Systems and Texas A&M University, Commerce, Texas 1994.

Boston Consulting Group

12 Principles for reengineering success

1. Senior management must lead reengineering.
2. Strategy must drive reengineering.
3. Add value for customer.
4. Focus on process, not function.
5. Play to win.
6. Take a system view.
7. Preplan and learn as you go.
8. No "one size fits all".
9. Metrics matter.
10. Care for the human dimension.
11. Reengineering is not a one-time thing.
12. Communicate, communicate, communicate.

BPR Assessment Checklist

1. Rationale for change.
2. Snr management understanding and commitment.
3. Selection of processes.
4. How much/long/fast?
5. Organizational readiness.
6. Assign the best people.

More detailed BPR Assessment Checklist

- Has the business identified the stakeholders for each major product and service? Has the business identified and documented their needs, concerns, and priorities?
- Has the business analyzed whether its products and services are aligned with customer and stakeholder needs and business goals?
- Has the business analyzed whether its products and services are being delivered in ways that best meet these needs?
- Has the business identified the external customer base for each of its major products and services?
- Has the business identified the external customers' current and anticipated needs, expectations, and priorities for each major product and service? What are their relative importance in the customers' eyes? What means did the business use to identify and validate the customers' needs, values, and priorities (interviews, focus groups, surveys)?
- Has the business identified its internal customers and third party providers and their needs and expectations insofar as they affect the key processes that provide products and services to external customers?
- Is the business using external and internal customer requirements to make major decisions about strategic goals, budgeting, and resource allocations? Is the business focusing more attention on satisfying the requirements of its internal customers rather than its external customers?
- Has the business identified the key areas of agreement and disagreement among customer and stakeholder groups regarding strategic goals, products and services, and performance?

BUSINESS DELIVERY - PROCESS RE -ENGINEERING HYPOTHESIS AND QUESTIONNAIRE

	HYPOTHESIS	QUESTION
3	CUSTOMERS	
3.1	Customers of the Business can be identified.	Who are the Customers of the Business? Is there a visible demonstration of commitment to customer service shown in the business? Have partnership and joint improvement activities with the customer been considered?
3.2	Customer segmentation of the Business is understood.	Is Customer segmentation understood for the Business?
3.3	There is clear ownership of each customer and of each Customer Segment.	Who owns each customer? Who owns each Customer Segment?
3.4	There is a complaints and service failure process which can identify key customer issues within the Business.	Is there a customer complaints and service failure process which can identify key customer issues within the Business? What reports are available? Is there a complaints/service failure co-ordinator who understands these issues?
3.5	There is close affinity between the Business's perception of customer requirements/satisfaction and that of the actual customer in respect of the selected processes.	What is the Business' perception of customer requirements/satisfaction in respect of the selected processes? What are the customers' requirements/satisfaction in respect of the processes?
3.6	Customer' requirements are satisfied by the current business processes.	Are there performance indicators in place to measure customer service levels? Are customer satisfaction measures in place to measure gaps between customers ideal state and business' perception of performance?
3.7	Customers ideal state processes can be identified..	What are the customers' ideal state process characteristics and how do they differ from current process state?

The Reengineering Roles

- The Sponsor
- The Steering Team
- The Process Owner
- The Reengineering Tzar / Team Leader
- The Reengineering Team, (cross functional)

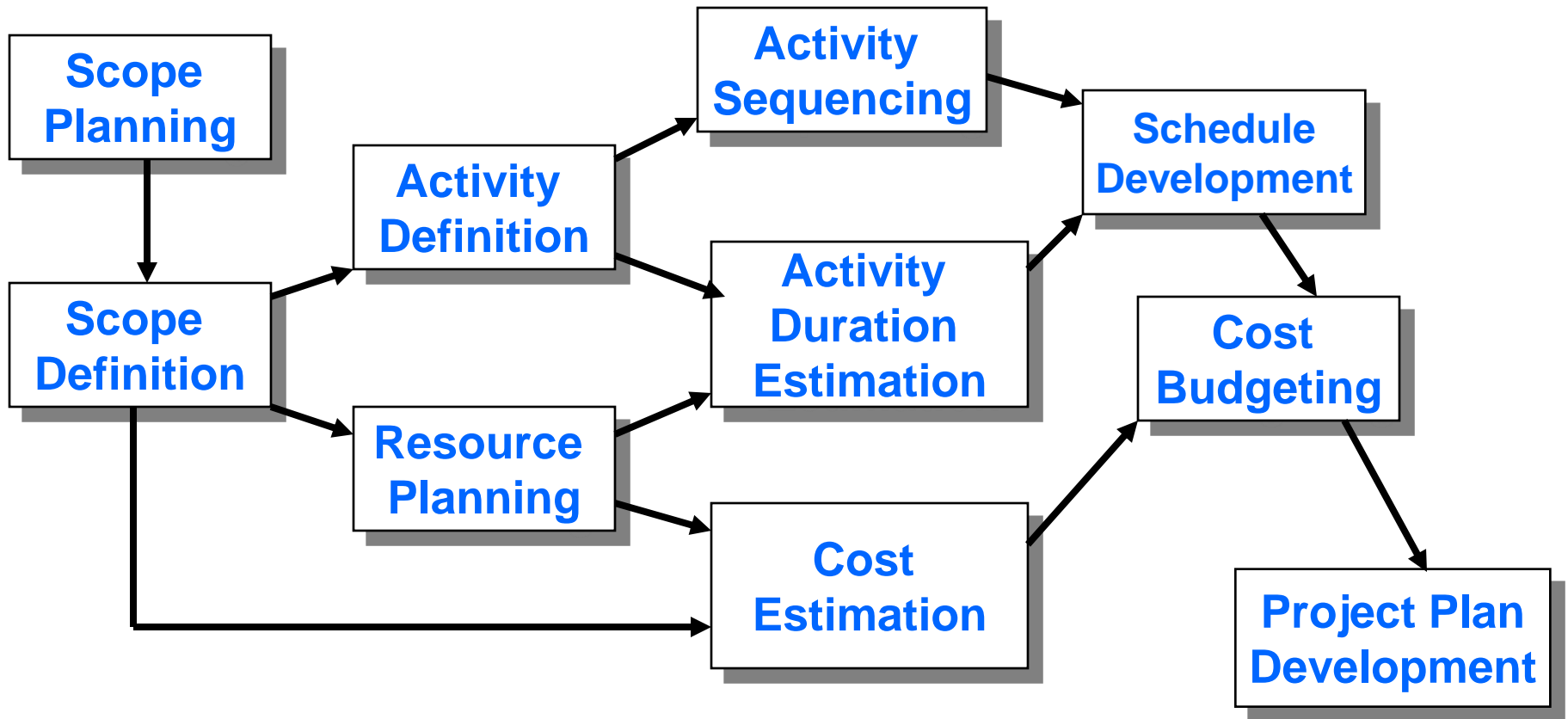
The ideal Reengineering team member

- A process-oriented and holistic cognitive style
- An inclination for change
- Enthusiasm and optimism
- Persistence and Tact
- Team player with good communication skills
- Creative and innovative

Quality Tools for BPR

- Process Mapping
- Voice of the Customer
- Cause & Effect analysis
- Brainstorming
- Weighted Voting
- Charting – (various)
- Statistical Process Control – (where appropriate)
- Benchmarking
- Etc, Etc, Etc
- Project Management – (a biggie)

Project Management - Core Processes



Project Management as a key element of Business improvement initiatives

Requires regular review of,

- Progress against timeframes
- Progress against budget
- Progress against deliverables
- Resource availability
- Lessons learnt to date

But ... all this involves people and change!



Steps in the Personal Change Process

Preparation Stage:

1. **Contact Stage:** The earliest encounter a person has with the fact that change may take place or has already taken place.
2. **Awareness Stage:** The person knows that a change is being contemplated.

Acceptance Phase:

3. **Understanding Stage:** The person demonstrates some degree of comprehension of the nature and intent of the change.
4. **Positive Perception:** The person develops a positive view toward the change.

Commitment Phase:

5. **Installation Stage:** The change is implemented and becomes operational.
6. **Adoption Stage:** The change has been used long enough to demonstrate worth, and a visible positive impact.
7. **Institutionalization:** The change has a long history of worth, durability and continuity and has been formally incorporated into the routine operating procedures of the organization.
8. **Internalization:** Persons are highly committed to change because it is congruent with their personal interests, goals or value systems.

Source Robert Bacal

The 8 Steps of Process Change

Set the stage

1. *Create a sense of urgency*

Help others see the need for change and the importance of taking action.

2. *Pull together the team to guide the change*

Assemble a powerful group to guide the change – having leadership skill, credibility, communications ability, authority, analytical skills and a sense of urgency.

Decide what to do.

3. *Develop the Vision and Strategy for change.*

Clarify how the future will be different from the past and how the future can be made a reality.

Make it happen.

4. *Communicate to ensure understanding and buy in*

Make sure as many others as possible understand and accept the Vision and Strategy.

5. *Empower others to act*

Remove the barriers in order that those who want to make the vision a reality can do so.

6. *Produce some short term wins.*

Create some visible, unambiguous successes as soon as possible.

7. *Don't let up.*

Press harder and faster after the first successes. Be relentless with initiating change after change until the vision becomes a reality.

Make it Stick.

8. *Create a New Culture.*

Hold onto the new ways of behaving and make sure they succeed, until they become strong enough to replace old habits.

Source: John Kotter

Thank you

Questions?

BPR Assessment Checklist

- **Rationale for change.** Is the rationale for the change initiative identified and communicated throughout the organization? The Why? and subsequently How? must be declared and communicated in a way that makes it understandable to all organizational members.
- **Senior management understanding and commitment.** Has senior management accepted its sponsor role and is prepared to support the effort by all necessary means? A large-scale process improvement has to be sponsored and facilitated by senior management, not only through words, but through action. This includes to back up the project organization and to actively promote the effort.
- **Selection of processes.** Have the process to be scrutinized been identified and have the right selection mechanisms been used? The selection of process should be based on the processes' value adding potential, i.e. that a limited number of high-potential process is selected first.
- **How much/long/fast?** What is the scope of the project in terms of intention level and time frame? and have the necessary resources been allocated in terms of financial and intellectual resources? A common mistake is to allocate too limited resources to the change project in terms of people and time. Also, the project objectives must be clearly set, but must not be unachievable.
- **Organizational readiness.** Is the organization, i.e. the individuals working there, prepared for the effort and has it been communicated appropriately? When individuals are taken by surprise, they often react irrationally and defensive, i.e. that barriers are built, stakes are claimed and the considered threat then creates massive resistance.
- **Assign the best people.** Who are the people being assigned to the project? Is it ensured that they are knowledgeable, committed to the project and not acting watchdog for other parts of the organization? In many organizations, managers do not give away their best people, but those they consider as troublemakers or under-performers. In others, people are sent to change teams as representatives of the unit they come from and are expected to guard their unit's or department's interest, instead of committing themselves to the project.