

# **BUSINESS PROCESS REENGINEERING**

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## TABLE OF CONTENTS

ABSTRACT	3
I. Introduction.	4
II. The Background of Reengineering.	7
2.1. Why do Organizations Need Reengineering?	7
2.2. The History of Conventional Business Process.	11
2.3. The New Business Environment.	11
2.4. What is the Formal Definition of Reengineering?	12
2.5. What Reengineering isn't?	12
III. Principles of Reengineering.	11
3.1. Organize Around Outcomes, not task.	11
3.2. Have Those Who Use the Output of the Process Perform .	12
3.3. Subsume Information-Processing Work into the Real Work that Produces the Information.	12
3.4. Treat geographically dispersed resources as though they were centralized.	12
3.5. Link Parallel Activities instead of Integrating Their         Result.	13
3.6. Put the Decision Point Where the Work is Performed, and Build Control into the Process.	13
3.7. Capture Information Once and at the Source.	14
IV. Promises of Reengineering.	15
4.1. Traditional Values.	15
4.2. Reengineering Values.	15
4.3. Reengineering Methodology.	16
V. The Role of IT in Reengineering .	17
VI. Reengineering Life Cycle.	17
6.1. Envisioning New Processes.	17
6.2. Initiating Changes.	19
6.3. Diagnosing the Processes.	19
6.4. Redesigning.	21
6.5. Reconstructing.	23
6.6. Monitoring.	24
VII. How Can We Get Succeed in Reengineering?	26
VIII. Conclusion.	28
BIBLIOGRAPHY	30
EXHIBIT 1	31

## ABSTRACT

To stay competitive in modern business, especially in preparing to enter the twenty-first centuries, today's managers perhaps need to reinvent their companies, and it is the time for them to change the structure of management, and the performance of business. In running their business, some companies have been adopting Adam Smith's brilliant discovery about how business should be broken down into its simplest and most basic task.

One of the several ideas that might be adopted now is "Reengineering". Reengineering is not a program, a new trick or about fixing anything. Merely, reengineering means, "**Starting all over, starting from scratch**". It means forgetting how work was done in the past, and deciding how can it be done now.

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

Most companies need reengineering since they have to be flexible enough to adjust quickly in today's market conditions. If company's management wants their companies lean, nimble, flexible, responsive, competitive, innovative, efficient, customer-focused, and profitable. Those companies may not be bloated clumsy, rigid, sluggish, non-competitive, uncreative, inefficient, and disdainful of customer need.

In writing this article, we are trying to crack-down what business reengineering is, why a company need reengineering, which company needs reengineering, how we can succeed in reengineering the company, and the methodology that useful enough in applying reengineering.

## I. Introduction

Despite a decade or more of restructuring, downsizing, total quality management and so on management techniques and heavy investment in Information Technology (IT), many companies are still unprepared to operate in the 1990s and 21 th. century. Today we have already known that heavy investment in IT and employ these management techniques simply cannot keep the companies from disappointing results. Because companies tend to use IT and these techniques to mechanize old ways of doing business. They leave the existing process intact and use computers simply to speed them up.

But speeding up those processes cannot address their fundamental performance deficiencies. Many of today's job designs, work flows, control mechanisms and organizational structures came of age around 1950s that was a different competitive environment and before the advent of computer, satellite communications and global competition. Those rules which depend on Adam Smith's brilliant discovery that is the business processes should be broken down into its simplest and most basic task. That was the main idea that has been revised around 1900s by Frederick W. Taylor, who is known the father of industrial engineers, for mass production and service companies. They have been geared towards;

- Efficiency,
- Control,
- Cost,
- Growth,
- Economies of scale,
- and Centralization.

These old principles nearly more than hundred years met the expanding demand for mass market products and services.

It is now the time for some organizations to change these principles that laid down two centuries ago because of new competitive environment. Today managers perhaps need to reinvent their companies, and they may throw out their old notion about how business should be organized and run because the companies give a sign that old principles no longer meet the need of the companies to run their business. They must abandon the organizational and operational principles and procedures, they now need to use and create entirely new ones.

The new organizations will not look much like today's corporations, and the ways in which they purchase, produce, sell, and deliver products and services will be very different.

As we mentioned above, for two hundred years', people have found and built companies around Adam Smith's brilliant discovery that industrial work should be broken down into its simplest and most basic task. In the post industrial business age we are now entering, corporations will be founded and built around the idea of reunifying those task into coherent business processes. Because the new decades' business processes must be geared towards;

- Innovation,
- Service,
- Speed,
- Quality,
- Flexibility,
- Parallel Processing,
- Low-cost.

To accomplish this qualities or goals, companies use a different technique that is called **"REENGINEERING"**, it's to next revolution of business what the specialization of labor was to the last.

Reengineering is not another quick fix or a new trick that promises to boost the quality of a companies product or services or shave a percentage off costs. It's not a program to hike worker morale or to motivate the sales force. It won't push an old computer system to work faster. Merely, reengineering is not about fixing anything.

Reengineering means, "starting all over, starting from scratch". It means forgetting how work was done in the age of the mass market and deciding how it can best be done now.

Reengineering means putting aside much of the received wisdom of two hundred years of industrial management. The key point in reengineering is how we want to organize work today, given the demands of today's markets and the power of today's technologies. How people and companies did things yesterday doesn't matter to reengineering. Reengineering capitalizes these characteristics;

- Individualism,
- Self-reliance,
- A willingness to accept risk,
- and propensity for change.

At the heart of business reengineering lies the notion of "**discontinuous thinking**", identifying and abandoning the outdated rules and fundamental assumptions that underlie current business operations. Every company is replete with implicit rules left over from the earlier decades;

- Customers do not repair their own equipment,
- Local warehouses are necessary for good services,
- Merchandising decisions are made at headquarters,
- Forms must be filled in completely and in order,
- Credit decisions are made by credit department.

But these rules are based on some assumptions about technology, people, and organizational goals that no longer exist.

What the reengineering concentrates on is to process a set of new activities. "**Process**" means a set of activities that, taken together, produce a result of value to a customer. The reengineering isn't incremental improvements that most businesses prefer. So reengineering is not asking:

- How can we do what we do faster?
- How can we do what we do better?
- How can we do what we do at a lower cost?

but instead,

- **Why do we do what we do at all?**

Many Business tasks are being done to satisfy the internal demands of the company's owning organization instead of meeting customer needs. - that is, creating a product high in quality, supplying that product at a fair price, and providing excellent service. Those companies, that will be able to compete successfully in the global marketplace, should employ the new tasks and rules that is supplied by reengineering. Reengineering cannot be carried out in small and cautious steps. It's an all-or-nothing proposition that produces dramatically impressive results.

The reengineering ideas are as important to business today as Adam Smith's ideas were to the entrepreneurs and managers of the last two centuries. They need to be refined and expanded in a time. Hammer says that "**those companies that act with dispatch on these lessons will be able to compete successfully in a world in which the only predictable constant has already become rapid and relentless change.**"

## II. The Background of Reengineering.

### 2.1. Why Do Organization Need Reengineering?

Every company in the world wants to be flexible enough to adjust quickly to changing market conditions, lean enough to beat any competitor's price, innovative enough to keep its products and services technologically fresh, and dedicated enough to deliver maximum quality and customer service.

So, if every company's management wants their companies are lean, nimble, flexible, responsive, competitive, innovative, efficient, customer-focused, and profitable, why are so many companies bloated clumsy, rigid, sluggish, non-competitive, uncreative, inefficient, disdainful of customer needs, and losing money ? The answers lie in how these companies do their work and why they do it that way. A few examples illustrate the point that the companies are willing to achieve is different from the results that their management desire. Lets look at some of these examples;

- Setting a goal of filling customer orders quickly, but this goal is providing elusive with their current system.
- Often the efficiency of a company's parts comes at the expense of the efficiency of its whole.
- Work that requires the co-operation and co-ordination of several different departments within a company is often a source of trouble.
- Even when the work involved could have a major impact on the bottom line, companies often have no one in charge.

Corporations do not perform badly because workers are lazy or management are inept. Those old rules worked very well in the last decades. The ironic truth is that companies are now performing so badly because the advanced technologies, the disappearance of boundaries between national markets, and the altered expectations of customers who now have more choices than ever before have combined to make the goals, methods, and basic organizing principles of the classical approach sadly obsolete. So companies should learn how to operate in the new global environment.

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## IX. Conclusion

Each decade presents its major challenge. During the 1990s, the issues of "**globalization**" and "**business reengineering**" loom important. To be successful, organizations and managers will need to deal with these issues. Globalization is taking a world-wide perspective to the firm's business. Following this approach, work is organized on a world-wide basis to produce products and services for world-wide market. It means one couldn't run a business with the processes that were designed for national market, around 1950s. So that the old ways of;

- Processing orders,
- Developing new products,
- Dealing with suppliers,
- and managing assets are obsolete.

The worlds in general and business in particular have grown more complex and the competitors would be more aggressive. Firms has to recognize the need to achieve order of magnitude improvements in their key performance measures, as we mentioned many times in the text: cost, quality, speed, and service. In today's business environment, everything is challenge;

- Work flows,
- Job definitions,
- Management procedures,
- Control processes,
- Organizational structure,

- and even corporate values and culture.

As we explained in the text in details that only reengineering principles can handle the new challenges with a clear vision of how things should work in the future. For the conclusion we have to highlight or remind some of these subjects for close consideration in following lines.

1. Reengineering start from the future and work backwards, as if unconstrained by existing methods, people, or departments. In effect they ask, "If we were a new company, how would we run this place ?"
2. Reengineering is occurring in a dramatically competitive landscape; it is a major change with big results; it cuts across departmental lines; it requires hefty investment in training and IT; and layoffs result.
3. To succeed in reengineering, the company has to become a motivation.
4. Take a long look at what business you want to be and how you intend to make money at it. Many organizations find it difficult to give the power to make decisions to those doing the work because it is in direct opposition to the traditional functional hierarchy, which assumes that only those at the top of the pyramid are capable of making intelligent decisions.
5. Along with empowering employees, a few other congruent principles seem to be nearly universal. It is critical to involve the end user not only throughout the design and implementation stage, but also once the system is up to running. If the process is an ongoing basis then an organization can foster an environment of continuous improvement.
6. To remove unnecessary activities and replace archaic processes with cross-functional activities that support parallel processing, speed, service, quality and innovation.
7. To network across functions and design around business processes rather than functional hierarchies.
8. When the major change is needed - when quality improvements alone will not do the job - it usually takes a high-level visionary to get it done. **Such major change nearly always comes from the top.** Because when the users build applications, they tend to automate what they do now, or at best what they see as the next improvement. They tend to stay within the bounds of their own jobs as they see them evolving. They never get the major change that today's competitive business environment often requires.

For all its macho rhetoric and technological content, reengineering in the end is like any other effort to change the way people work. Culture counts big. Change won't occur merely because management wills it. Says Agway's Bruce Ruppert; **"You can survive the old way. You can survive the new way. It's the goddamn transition that will kill you."** When the once-clean sheet of papers is covered with boxes, lines, and arrows, the true test of leaderships begins.

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