

# Business process reengineering in financial service sector commerce essay

[Business](#), [Strategic Management](#)



Business Process Reengineering is a management practice that aims to improve the efficiency of the business process. The key to BPR is for organizations to look at their business processes from a “clean slate” perspective and determine how they can best construct these processes to improve how they conduct business.

Reengineering is a fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, speed, and service. BPR combines a strategy of promoting business innovation with a strategy of making major improvements to business processes so that a company can become a much stronger and more successful competitor in the marketplace.

Re-engineering is the basis for many recent developments in management. Also, many recent management information systems developments aim to integrate a wide number of business functions. Enterprise resource planning, supply chain management, knowledge management systems, groupware and collaborative systems, Human Resource Management Systems and customer relationship management systems all owe a debt to re-engineering theory.

Business Process Reengineering is also known as Business Process Redesign, Business Transformation, or Business Process Change Management.

## DEFINITION

**“ 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.”**

## OVERVIEW

### OLD WINE IN NEW BOTTLES

Business process reengineering (BPR) began as a private sector technique to help organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors. A key stimulus for reengineering has been the continuing development and deployment of sophisticated information systems and networks. Leading organizations are becoming bolder in using this technology to support innovative business processes, rather than refining current ways of doing work.

Business process reengineering is one approach for redesigning the way work is done to better support the organization's mission and reduce costs. Reengineering starts with a high-level assessment of the organization's mission, strategic goals, and customer needs. Basic questions are asked, such as “ Does our mission need to be redefined? Are our strategic goals aligned with our mission? Who are our customers?” An organization may find that it is operating on questionable assumptions, particularly in terms of the wants and needs of its customers. Only after the organization rethinks what it should be doing, does it go on to decide how best to do it.

Within the framework of this basic assessment of mission and goals, reengineering focuses on the organization's business processes-the steps and procedures that govern how resources are used to create products and services that meet the needs of particular customers or markets.

Reengineering focuses on redesigning the process as a whole in order to achieve the greatest possible benefits to the organization and their customers. This drive for realizing dramatic improvements by fundamentally rethinking how the organization's work should be done distinguishes reengineering from process improvement efforts that focus on functional or incremental improvement

Business process reengineering is the main way in which organizations become more efficient and modernize. Business process reengineering transforms an organization in ways that directly affect performance.

## **BUSINESS PROCESS REENGINEERING CYCLE**

### **Steps Involved in Business Process Reengineering**

Develop the business vision and process objectives: Business Process

Reengineering is driving by a business vision which implies specific business objectives such as cost reduction, time reduction, output quality improvement, quality of work life.

Identify the processes to be redesigned: Most firms use high- impacts approach which focuses and most important processes or those that conflict most with the business vision. Few number of firms use the exhaustive

approach that attempts to identify all the processes within an organization and the prioritize them in order to redesigned urgency.

Understand and measure the existing process: For avoiding the repeating of old mistake and for providing a baseline for future improvements.

Identity information technology (IT) levels: Awareness of IT capabilities can and should influence process. This is because IT is a sine qua non to the business process reengineering.

Design and Build a prototype of New Process: The actual design should not be viewed as the end of the BPR process. Rather, it should be viewed as a prototype, aligns the BPR approach with quick delivery of results and the involvement and satisfaction of customers.

## **The Impact of BPR on organizational performance**

The two cornerstones of any organization are the people and the processes.

If individuals are motivated and working hard, yet the business processes are cumbersome and non-essential activities remain, organizational performance will be poor. Business Process Reengineering is the key to transforming how people work. What appear to be minor changes in processes can have dramatic effects on cash flow, service delivery and customer satisfaction.

Even the act of documenting business processes alone will typically improve organizational efficiency by 10%.

## **How to implement a BPR project**

The best way to map and improve the organization's procedures is to take a top down approach, and not undertake a project in isolation. That means:

Starting with mission statements that define the purpose of the organization and describe what sets it apart from others in its sector or industry.

Producing vision statements which define where the organization is going, to provide a clear picture of the desired future position.

Build these into a clear business strategy thereby deriving the project objectives.

Defining behaviors that will enable the organization to achieve its' aims.

Producing key performance measures to track progress.

Relating efficiency improvements to the culture of the organization

Identifying initiatives that will improve performance.

Once these building blocks in place, the BPR exercise can begin.

## **Tools to Support BPR**

When a BPR project is undertaken across the organization, it can require managing a massive amount of information about the processes, data and systems. If you don't have an excellent tool to support BPR, the management of this information can become an impossible task. The use of a good BPR/documentation tool is vital in any BPR project.

The types of attributes you should look for in BPR software are:

Graphical interface for fast documentation

“ Object oriented” technology, so that changes to data (e. g: job titles) only need to be made in one place, and the change automatically appears throughout all the organization’s procedures and documentation.

Customizable meta data fields, so that you can include information relating to your industry, business sector or organization in your documentation

The ability to assess the processes against agreed international standards

The production of word documents or web site versions of the procedures at the touch of a single button, so that the information can be easily maintained and updated.

The software we use by choice is Protos, a very comprehensive Dutch system that has been translated into English. Protos meets all the above requirements, and many more, and is better than any system originated in English that we have seen.

## **The Role of Information Technology**

Information technology (IT) has historically played an important role in the reengineering concept. It is considered by some as a major enabler for new forms of working and collaborating within an organization and across organizational borders.

Early BPR literature identified several so called “ disruptive technologies’ that were supposed to challenge traditional wisdom about how work should be performed.

Shared databases, making information available at many places

Expert systems, allowing generalists to perform specialist tasks

Telecommunication networks, allowing organizations to be centralized and decentralized at the same time

Decision-support tools, allowing decision-making to be a part of everybody’s job

Wireless data communication and portable computers, allowing field personnel to work office independent

Interactive videodisk, to get in immediate contact with potential buyers

Automatic identification and tracking, allowing things to tell where they are, instead of requiring to be found

For example, Walmart would not have been able to reengineer the processes used to procure and distribute mass-market retail goods without IT.

Ford was able to decrease its headcount in the procurement department by 75% by using IT in conjunction with BPR.



## SUCSESSES

BPR, if implemented properly, can give huge returns. BPR has helped giants like Procter and Gamble Corporation and General Motors Corporation succeed after financial drawbacks due to competition. It helped American Airlines somewhat get back on track from the bad debt that is currently haunting their business practice. BPR is about the proper method of implementation.

### **General Motors Corporation**

General Motors Corporation implemented a 3-year plan to consolidate their multiple desktop systems into one. It is known internally as “ Consistent Office Environment” (Booker, 1994). This reengineering process involved replacing the numerous brands of desktop systems, network operating systems and application development tools into a more manageable number of vendors and technology platforms.

Lotus Development Corporation and Hewlett-Packard Development Company, formerly Compaq Computer Corporation, received the single largest non-government sales ever from General Motors Corporation. GM also planned to use Novell NetWare as a security client, Microsoft Office and Hewlett-Packard printers.

This saved GM 10% to 25% on support costs, 3% to 5% on hardware, 40% to 60% on software licensing fees, and increased efficiency by overcoming incompatibility issues by using just one platform across the entire company.

## **Procter and Gamble Corporation**

A multi-billion dollar corporation like Procter and Gamble Corporation, which carries 300 brands and growing really has a strong grasp in re-engineering. Procter and Gamble Corporation's chief technology officer, G. Gil Cloyd, explains how a company which carries multiple brands has to contend with the " classic innovator's dilemma – most innovations fail, but companies that don't innovate die. His solution, innovating innovation..." Cloyd has helped a company like Procter and Gamble grow to \$5. 1 billion by the fiscal year of 2004.

According to Cloyd's scorecard, he was able to raise the volume by 17%, the organic volume by 10%, sales are at \$51. 4 billion up by 19%, with organic sales up 8%, earnings are at \$6. 5 billion up 25% and share earnings up 25%. Procter and Gamble also has a free cash flow of \$7. 3 billion or 113% of earnings, dividends up 13% annually with a total shareholder return of 24%.

Cloyd states: " The challenge we face is the competitive need for a very rapid pace of innovation. In the consumer products world, we estimate that the required pace of innovation has double in the last three years. Digital technology is very important in helping us to learn faster." G. Gil Cloyd also predicts, in the near future, " as much as 90% of P&G's R&D will be done in a virtual world with the remainder being physical validation of results and options."

## **Ford Motor Company**

Ford reengineered their business and manufacturing process from just manufacturing cars to manufacturing quality cars, where the number one goal is quality. This helped Ford save millions on recalls and warranty repairs. Ford has accomplished this goal by incorporating barcodes on all their parts and scanners to scan for any missing parts in a completed car coming off of the assembly line. This helped them guarantee a safe and quality car. They have also implemented Voice-over-IP (VoIP) to reduce the cost of having meetings between the branches.

## **DELL Incorporated**

Michael Dell is the founder and CEO of DELL Incorporated, which has been in business since 1983 and has been the world's fastest growing major PC Company. Michael Dell's idea of a successful business is to keep the smallest inventory possible by having a direct link with the manufacturer. When a customer places an order, the custom parts requested by the customer are automatically sent to the manufacturer for shipment. This reduces the cost for inventory tracking and massive warehouse maintenance. Dell's website is noted for bringing in nearly "\$10 million each day in sales." (Smith, 1999).

Michael Dell mentions:

" If you have a good strategy with sound economics, the real challenge is to get people excited about what you're doing. A lot of businesses get off track because they don't communicate an excitement about being part of a winning team that can achieve big goals. If a company can't motivate its people and it doesn't have a clear compass, it will drift."

Dell's stocks have been ranked as the top stock for the decade of the 1990s, when it had a return of 57, 282% (Knestout and Ramage, 1999). Michael Dell is now concentrating more on customer service than selling computers since the PC market price has pretty much equalized. Michael Dell notes:

“ The new frontier in our industry is service, which is a much greater differentiator when price has been equalized. In our industry, there's been a pretty huge gap between what customers want in service and what they can get, so they've come to expect mediocre service. We may be the best in this area, but we can still improve quite a bit-in the quality of the product, the availability of parts, service and delivery time.”

Michael Dell understands the concept of BPR and really recognizes where and when to reengineer his business.

## **One of the Good Example of Financial Service Sector those used BPR**

### **SBI BANK**

When there is a intense competition from private and foreign Banks were arised. They restructure their organization, redesigning of branches, providing alternate channels, and focus on a lean structure and technological up gradation. A business process reengineering (BPR) team was constituted in June 2003 with Micknsey and company as consultants. The basic goal was to create an operating architecture that would facilitate service delivery of International standards. They launched a special service for corporate customers called “ telebanking and remote login”.

## **Second Example of Nigeria Country**

In Nigeria, the changing dynamics of banking and other financial institutions market forced Players at all levels to re-engineer. The banking operations and functions were redesigned to meet emerging challenges of bank consolidation, slashing operating cost, outsourcing, portfolio investment, payments and settlement systems. Innovative banking practices (through Business Process Reengineering) enabled Nigerian banks to incorporate strategic innovative customer schemes to bridge the service and product gap inherent in the banking sector. The change brought about by re-engineering in banks are reflected in product and services to give a new form or structure by introducing product and service scheme (such as credit cards, hassle free housing loan schemes, educational loans and flex-deposit schemes) integration of the branch

Network by use of advance networking technology and customer personalization programmes (through Automatic Teller Machine (ATM) and anytime banking). In order to survive and flourish in a global economy business must respond to major trends reshaping markets. Hence, the dynamics of the underlying forces at work require a renewed thrust on BPR in banks to contribute to management and diversification of growth horizons by impacting on productivity and profitability.

Acting on this conviction, BPR has continuously improved organizational performance in

Nigeria and the banking sector has in recent times witnessed tremendous reengineering process in Nigeria. These reengineering processes is the recent directives by the Central Bank of

Nigeria on bank recapitalization. The banks have also explored the opportunities provided by

Information technology (IT) to automate and improve its service customer satisfaction, ebanking,

ATMs, integrate branch network etc. The modern business is characterized by stiff competition both locally and globally, hence, reengineering process becomes a veritable engine of organizational survival.

## **CRITIQUE**

Reengineering has earned a bad reputation because such projects have often resulted in massive layoffs. This reputation is not altogether unwarranted, since companies have often downsized under the banner of reengineering. Further, reengineering has not always lived up to its expectations. The main reasons seem to be that:

Reengineering assumes that the factor that limits an organization's performance is the ineffectiveness of its processes (which may or may not be true) and offers no means of validating that assumption.

Reengineering assumes the need to start the process of performance improvement with a "clean slate," i. e. totally disregard the status quo.

It never changed management thinking, actually the largest causes of failure in an organization

Lack of management support for the initiative and thus poor acceptance in the organization.

Over trust in technology solutions.

Performing BPR as a one-off project with limited strategy alignment and long-term perspective.

Poor project management.

## **Reengineering Recommendations**

BPR must be accompanied by strategic planning, which addresses leveraging IT as a competitive tool.

Place the customer at the center of the reengineering effort — concentrate on reengineering fragmented processes that lead to delays or other negative impacts on customer service.

BPR must be “ owned” throughout the organization, not driven by a group of outside consultants.

Case teams must be comprised of both managers as well as those will actually do the work.

The IT group should be an integral part of the reengineering team from the start.

BPR must be sponsored by top executives, who are not about to leave or retire.

BPR projects must have a timetable, ideally between three to six months, so that the organization is not in a state of “ limbo”.

BPR must not ignore corporate culture and must emphasize constant communication and feedback.

## **CONCLUSION**

Business Reengineering Process will only be successful if the activities in which the processes are based are directly related to the needs and objectives of the business. 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. Most of the aim of reengineering a business performance is to redesign the existence of a business practices in order to achieve improvement in performance. Finally, Business Process Reengineering has become useful weapon for any corporate organizations that is seeking for improvement in their current organizational performance and intends to achieve cost leadership strategy in its operating industry and environment. Reengineering process remains an effective tool for organizations striving to operate in the competitive world; organizations are required to re-engineering their business processes in order to achieve breakthrough performance and long-term strategy for organizational growth.