

BUSINESS PROCESS REENGINEERING(BPR)

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Abstract

To make a turn-over in the business of a company and run it in the crisis period is extremely difficult job to do. It requires special skills and special energy of the manager. Besides the methods, which we tried to systematize here and that must be applied by those who are running a company, it is essential to have experts for specific fields, in basic operation, marketing and territory of microeconomics. We live in the era of global economy, powerful information technology and constant changes. BPR comes from a number of disciplines, and four major areas can be designated as places which are the subject to changes during Business Process Reengineering: organization, technology, strategy and people. What influences the occurrence of BPR is certainly a need for lowering costs, customer dissatisfaction, mergers of acquisitions, management changes, a dramatic decline in market share, benchmarking, changes in laws and regulations and maybe the most important - competitive pressure. The aim of this paper is to, using the method of analysis and synthesis, comparison, using a wide variety of literature, once again draw attention to the process of BPR's, which in countries in transition, including Kosovo, may be of great importance in the process of vitalising the market economy and adapting the laws that govern at the local, regional and global markets.

Keywords: transition, management, market, human resources, information technology.

Introduction

The reasons that determine the need for reengineering are rapid changes, more demanding customers and tougher competition. The organizational structure that appears by itself is a process and team organization. Any company that responds to business challenges must change, restructure, reorganize and redesign. In today's market that is increasingly globalizing, the keen competition is more present. Any company that wants to last in the market and reduce market uncertainties should implement constant changes. The reasons to carry out the reengineering are achieving greater competitiveness of the company, in the sense for it to become better. In each business, the customer is the centre around which everything revolves. Customer orientation becomes the main target, considering that the global competition is apparent for every single product. Competitive conditions in the global market require rapid and continuous change in the organizational structure of the company, in order to satisfy external and internal factors of business success. External factors of success include its orientation to the customers and their needs, with an increase in product and service quality, reduce cost and shorter delivery period. Internal factors that determine success of the business are making profit and at the same time reducing the cost of production, marketing and distribution. What characterizes contemporary economic conditions are certainly goals whose ultimate aim is promptness, low cost, quality and of course the ability to also achieve faster adaptation to changes in the internal and external environment. A characteristic of economies of countries in transition, including Kosovo is existence of an economic system which is based on the division of labour, specialization process, and of course as a unavoidable consequence of these characteristics, the hierarchical management. These general features of course, in the context of rapid and unpredictable change, lead to untimely response to the service, delays, and thus higher production costs. One of the latest and progressive solutions of the organization's adaption to changes in the internal and external

environment is certainly re-innovation through reengineering¹.

BPR factors and concepts

A general environment in which companies now operate, and also the factors that affect their business are those that we can call the 3 C, formed from the initial letters of the three most important factors in business: Competition, Customers and Change. *Competition* has become more complex, and markets are fully internationalized. *Customers* are absolutely dictating the relationships in the market and the ways of sale have changed completely. *Changes* are permanent and are caused by the entire innovation system and reduced life of the product. These factors can be classified into the group of factors from environment. Problems which occur within the company are surely: Insufficient flexibility of the company on customer requirements' changes. Lack of perseverance and dedication to the company and the customer; Highlighting the activities and not the result of the same activities; Business process reengineering (BPR) is the fundamental deliberated and radical reform of business processes in order to achieve dramatic improvements in critical, contemporary success criteria such as cost, quality, service and the speed². Reengineering is a radical reform of business processes in order to achieve its dramatic improvement in cost, quality, service and speed. It breaks the continuity of established rules and procedures that have evolved over a long period, and as such became an integral part of the company. Reengineering makes a total turnaround in the company, where a new way of doing business has little in common with those of the previously defined organization. Reengineering is the process of radical change and transformation that is aimed at reviewing every process in the organization and the entire organization³. "Reengineering (Business Process Reengineering-BPR) is a creative and innovative process

¹Bennis, W., – Mische, M., 1996., The 21st Century Organization – Reinventing through Reengineering, Johannesburg

²Ibrahim, R.I., Hirmapnour, I., 1995., The Subject matter of Process Improvement: A Topic and Reference Source for Software Engineering Educators and Trainers, Technical Report, Software engineering Institute Pittsburg, p.25

³M. Hammer, J. Champy, 1993., Reengineering the Corporation, Harper business, N.Y

that changes the corporate culture, creating new processes, new systems, new structures and new ways to implement changes and, as such, affects the success of the company⁴. It is noticeable that the key words to describe the process of reengineering: fundamentality-eliminating unnecessary and introducing new ways of doing business, ignores what it is and concentrates on what might be; radicalism - causes change of the root; dramatic - throwing out unnecessary and wrong and to introduce new ways, causing a major changes, leaps in performance-tenfold increase in productivity or eighty per cent reduction in the duration of the process (for example); processing - emphasis on process rather than function. Processes could be defined as a set of activities that transform series of input into a series of output for another person or another process, using it for the people and means. Its application brings to changes of information technology, while replacing existing and new - much better processes for both organization and consumers. The concept of reengineering, which binds to Michael Hammer, is based on the following principles:⁵ Business processes should be organized in accordance with the objectives, design of individual jobs or departments in accordance with the objectives, not only just easily setting up tasks or its succession. Using information technology, the process can be redesigned so that workers who need a concrete result of the process, could do it alone, so they can self-design process according to their needs. Information process should be included in the process, which produces information, which workers, without further transmitting data, using the same, produce necessary information. With the application of information system, all resources can be treated as centralized, with local flexibility of services. In this was effective coordination is achieved. Instead integrating the results of various activities, the unit should be linked to operate as an integrated unity. Business process control mechanisms should be improved, so that every worker while working can make decisions independently and thus be self-controller. Establish an information network, so that all employees have access to a single database, instead of each unit developing its own. Based on the presented principles, it can be concluded that reengineering uses the information technology in order to remove barriers that may exist between functions and establishing business in manufacturing operations. The main basis of reengineering is decentralization, reciprocal interdependence and participation in the construction and use of information system. Some of important BPR features are: Reengineering differs from other processes used in the organization. Differs from rationalization, although it almost always leads to rationalization. While still leading to changes in the organizational structure, it differs from restructuring, it as well as rationalization means that companies doing less with less, while the characteristics of reengineering to do more with less. While TQM means continuous improvement of process performance, reengineering means abandoning existing and introduction

of new processes. Automation process leads to modification, while re-engineering leads to a radical change in the business⁶. Hammer and Champy have identified three types of companies that apply this model of improving the organization: First are companies that are in crisis and have no alternative. Second are companies that still do not have a problem, but have a management who is able to have a new vision before problems occur, is capable to detect the risk of possible adverse situations that would certainly initiate reengineering. The third group consists of those companies that are in the most favourable position in the market, which are leaders in the business and want to retain the leadership position. BPR is organized only on a project basis, it is not a concept, and namely it is not a unique way of managing an organization.⁷ Hammer and Champy- BPR is intense, visionary effort that goes from top to bottom and requires continuous involvement and support of senior management⁸. This model of organization design, the focus is on business processes, not on the functions. Focus of business processes is to increase the value for customers, based on the realized products and services. Competition advantage, Porter believes, in its essence, comes from the value that the company has the ability to create for its customers, and that is definitely greater than its cost of production⁹. The field, object of the reengineering are processes, not structure. Problem is that they are invisible in the organizational chart, only the functions and the divisions in which they are carried are visible, while the processes remain invisible. What reengineering carries with it is reflected in the following: Works are not tightly defined, but are multidimensional. Employees have much greater autonomy in their work, and bear in this way, a greater responsibility for their procedures, because they bring decisions as well. Function of a manager is less control and more advisory. Workers are more directly focused on customers and less on their superiors. The hierarchical pyramid, replaces flat organizational structure. For successfully implemented BPR process, it is important to clearly define its bearers

Holders of reengineering process

As already noted, reengineering emphasizes the process, not the structure as such, it simply means that the organization structure will be only a means to a business processes. As a result of that fact is that a new organizational structure appear, primarily the process and team organisation. Hammer and Champy include as the major carriers of reengineering process:

- Supervisory Board of directors;
- Team reengineering;
- Leader of the process¹⁰.

⁶ Manganelli, R., Klein, M. 1995., The reengineering Handbook, Amazon, New York, p.18

⁷ Robinson, M., Ullah, P. 1996., A practical guide to business process re-engineering, Gower, Vermont, p.6

⁸ Hammer M., Champy, J., Reinžinjering tvrtke – Manifest za poslovnu revoluciju, Mate, Zagreb, p.34

⁹ Porter, M., 2007., Konkurentska prednost, Asse, Novi Sad, p.22

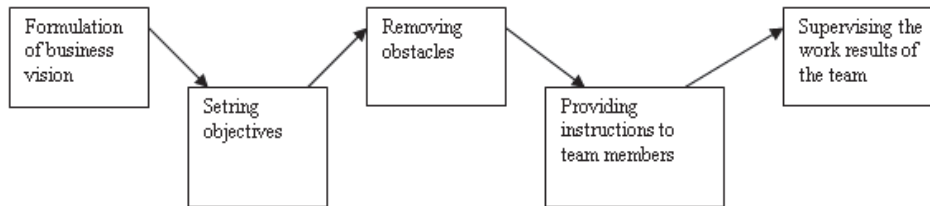
¹⁰ Hammer, M., Champy, J., 1995., Reengineering the Corporation - Manifesto for Business Revolution, Nicholas Brealy Publishing, London, p.102

⁴ Muratović, H., 1999., Organizacijski preokret GIK OKO, Sarajevo.

⁵ Hammer, M., July-August 1990. Reengineering Work: Don't automate, Obliterate, Harvard Business Review, p.104-112.

The initiative for starting the reengineering is provided by the highest level manager. The function of the board of directors is given in the following scheme.

Schema 1 - Function of the board of directors in the process of reengineering in phases



When talking about the re-engineering team members, it should be noted that the best combination is the one in which the team is composed of both external and internal members. It allows compensating eventual lack of members coming from the same organisation, which may be insufficiently, and also defect when the team is composed only of external members, since in that case workers are not involved in the process, so they can be unmotivated to work.

It is clear that the BPR is implemented by the people, so we could say that the essence of the success of the process is in choosing the right organization and the people who are implementing the process. Reengineering process is managed by a leader, who is usually elected among line managers and based on the rules it is a person who knows the process well, which is the subject of improving the organization. For a specific process, the process owner is responsible, while the working group is dedicated to a particular process, gives its assessment and oversees its transformation and change. Managerial board composed of senior-level managers, develop an overall strategy and supervise its implementation. At the end, there should be an individual in the company who is responsible for the development of reengineering techniques and process tools of BPR. In order for the reengineering process to be successful, it must take place at pre-defined stages.

Process reengineering phases

Different authors suggest different phases of the process from the start to the end. Thus, Davenport sets out the following phases:

- Identification of redesign process;
- Identification of "leverage" to make changes;
- Developing performance goals and vision;
- Analysis of existing processes;
- Designing new process;
- Implementation of solutions designed.¹

The concept of reengineering is particularly interesting for use in the company of countries in transition, as it is based on a complete redefinition of business processes in the company, for the purpose of creating competitiveness and creating conditions for growth and development. Redesigning of the organization must be based on the following types of transformations:

Market,
organisation,
technology,
ownership,

What characterizes the economies of countries in transition, is the presence of the restructuring process, whose aim at the microeconomic level is to reach a certain level of quality of entrepreneurship, which is determined by the degree of representation of the product on the market, managerial skills, need of additional funding from external sources, as well as the degree of independence of the company from the state². We can distinguish two models of restructuring, depending on whether it is conducted by the company with a problem or by a successful company. When companies want to reduce their production costs in order to mitigate the loss, then we are talking about so called defensive restructuring. In this case, the company cannot rely on investment, because it does not have sufficient interest for it. If it fails in this, the owners need to think of dismissing the managers, who are unable to cope with the emerging problems. Compared to the above mentioned, strategic restructuring is implemented by successful companies, wishing, in this way, to expand their participation in the trade. Due to its success, the investment funds are available, which company can use in reaching its aim. This process is led by successful managers. It should be noted that the ownership transformation of domestic enterprises is a base for the successful implementation of integrated management concept.

The company which undergo the reengineering can be recognized by the following characteristics:

Each employee undertakes more activities, thus increasing the activities and the workplace becomes a multi-dimensional.

Pointed multi-dimensionality of this particular leads to each employee becomes a process controller, having less people controlled by others.

Organizational structure becomes lower, with a tendency of transition from vertical to horizontal organizational structure.

The emphasis is no longer on the functions in the company, but in the process.

¹Davenport, H.T., 1995., Reengineering a Business Process, Harvard Business School Publishing, Boston, p.2

²Prema Roland G. Corporate Governance System and Restructuring: The lessons from the Transition experience, www.worldbank.org/research/abcd/washington12/pdf/files/roland.pdf

System of Total Quality Management (TQM), becomes the guideline in all activities, whose ultimate goal is maximum satisfaction of customer needs.

Terms of successful implementation of process reengineering

The things of which managers in reengineering process planning must be aware of, if they want to have a successful reengineering process, are the following facts:

Only goals that are clearly defined and that are realistically achievable are challenging for the workers, for which people would leave traditional elements in business and accept all the modern changes that have set out to them in the form of request.

Any progress at the beginning carries higher or lower risk, which should be kept in mind when entering into this process.

As each, and especially drastic changes, such as the re-engineering, leading to resistance, it appears in front of the manager as an imperative need to terminate the process, before the company's resistance prevails.

Key process reengineering principles of success are surely: consistency, perseverance, persistence and durability. With the reengineering process we should not stop at the first obstacle, but neither with the first success that it brings along.

Companies apply reengineering, when replacing traditional functional organization with the organization oriented to business processes. Competitive privilege is brought to the companies, not only through the changes in organizational structure, but also by enriched business processes and with their participants bringing necessary information, needed to make business decisions.³

This part will be concluded with the statement of the group of authors, who believe that the company, now that we have a new management philosophy in place, when passing from industrial to the knowledge economy, is not at all based on a matter of fine, quiet setting, because the scene is just a new game and all the companies are at the starting line.⁴

Conclusion

By an estimate, about half of the companies that start with the process of re-engineering fail, more precisely they do not realize the planned results. Key of the success is reflected in the knowledge and capability, not in happiness. Using rules and avoiding errors, with perseverance, competence, ability, knowledge, and by avoiding errors, is a key success factor in reengineering process. Participants of reengineering process must be aware of an important fact. Namely, the transition to the new technology does not automatically mean better results immediately. They become visible only after a certain period of time. For re-engineering there are no written rules but it is carried based on the experiences of other companies, but it is need to find own solutions to change

the current situation. Experiences of others are taken only as an example. Here it should be noted that BPR is sometimes used as a justification for the release of a large number of employees. Mostly, the reason for the failure of this process is the failure to change the consciousness and the way of thinking of managers, when presenting initiatives there is insufficient support from managers, exaggerated and unrealistic expectations of BPR, underestimation of changes within the organization. For the failure of BPR, insufficient support to the process itself by top management can be pointed out, lack of breadth and depth of the BPR project, incompetence in implementing the process. Based on the aforementioned, it can be concluded that, in order to increase the success of BPR, there is a need of organizing seminars, tribune, round tables, at which the managers, but also all those who are involved in this process, will have visualized effects of a successful BPR, as well ways, means and procedures that will lead to that success. In those countries in transition, modern ways of company management, as well as functioning according to market business principles are still taking roots, BPR for this countries has even greater importance.

³ Luftman, J. N., Lewis, P. R., Oldach, S. H., 1993.: Transforming the Enterprise, IBM Systems Journal, Vol. 32, No. 1, p. 198-221.

⁴ Tisen, R., Andrisen, D., Depre, F.L., 2006., Dividenda znanja, Adizes, p. 160

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