BUSINESS PROCESS REENGINEERING (BPR) – THE LATEST MANAGEMENT FAD? (A CONCEPT PAPER)

Tang Meng Keang
Universiti Tun Abdul Razak
18-5, Plaza CCL, Jalan SS6/12, Off Jalan Perbandaran,
Kelana Jaya Business Centre, 47301, Kelana Jaya, Selangor

Abstract: Managers were reported frequently introducing management fad to improve organizational effectiveness. Some managers looked at the management fad as the savior for their problematic organizations while some need it for survival, in order to battle the fierce competition in the industry. Many were reported got their hand burned by the innovativeness that they brought into their organizations. This paper however would not look at all the management fads but in fact would narrow down the scope to study one of the latest management fad - Business Process Reengineering (BPR) to explore its critical success factors, from some real organizations' experiences and literature reviews' perspectives. Three big cases were being discussed, namely Inland Revenue Authority of Singapore (IRAS), American National Bank of Florida (ANBF), and Blue Shield of California (BSC). All of them had been going through a difficult and successful BPR process. Their critical success factors were mainly relied on the support that they got from their own people. It was not easy but there was a way to get it done through their experiences. Besides, two other critical success factors that being touched on were the role of Information Technology (IT) and team-based organizational structure. These three critical success factors would be further discussed by looking at the latest research findings of the literature reviews. There might be some other critical success factors that proved to be useful but due to the length and time constraints, this paper would only discussed these three critical success factors, namely people, IT, and organizational structure.

INTRODUCTION

It was important to know the meaning of the management fad in order to understand why managers were reported frequently introducing management fad to improve organizational effectiveness. There were many scholars defined management fad in many ways. Based on Fife [8] in his book review, "a management fad is a management innovation that is introduced with exaggerated zeal, receives brief popularity and modest success". While P. Carson, Lanier, K. Carson and Birkenmeier [4] defined management fad as "managerial intervention which appear to be innovative, rational, and functional which aimed at encouraging better organizational performance".

Seven management innovations were being characterized by Birnbaum [2] to be fitted under management fad: Planning, Programming, and Budgeting Systems (PPBS); Management by Objectives (MBO); Strategic Planning; Zero-Based Budgeting (ZBB); Benchmarking; Total Quality Management (TQM) and Business Process Reengineering (BPR). However, the study on widely adoption of management innovations was being done by Carson, *et.al.* [4], as Table 1:

Table 1: Management Fads Tracked Throughout the Past Five Decades

- Decades of the 1950s - MBO, Program Evaluation and Review Technique (PERT), and Employee Assistance Programs (EAP).
- Decades of the 1960s – Sensitivity Training and T-Groups.
- Decades of the 1970s – Quality-of-worklife Programs and Quality Circles.
- Decades of the 1980s – Corporate Culture, International Standard Organization (ISO) 9000, TQM, and Benchmarking.
- Decades of the 1990s – Employee Empowerment, horizontal Corporations, Vision, Agile Strategies, Core Competencies, and BPR.

Source: Carson, *et.al.* [4]

As the global business environment was changing faster than ever, the adoptions of management fad had been seen as a response to the increased-pressure from external environment to improve organizational performance. Some organizations initiate change in order to stay in the industry, by acknowledging not all management change would have guarantee satisfactory business outcomes. According to Welsh and Metcalf [27], "Management fads die fairly predictable deaths because they rarely become a shared platform for improving organizational operations and performances". As the result, this paper will look into one of the latest management fad -BPR to further understand its three main critical success factors, from some real organizations' experiences and literature reviews' perspectives.

DISCUSSION

Why BPR?

BPR was the result of the managers' frustration had with the slowness of change by the other management fads and it had become an essential element for many companies to improve their competitive position. BPR originated in the 1950s but its explosive dissemination began in 1993 with the book publication by Michael Hammer and James Champy entitled "Reengineering the Corporation" [13]. They defined BPR as "the fundamental rethinking and radical redesign of business process to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service, and speed". Later on, many other scholars liked Raymond, Bergeron and Rivard [22] defined BPR in their own way. The focus of the definition was on the renewal of business processes.

After many years of implementation since its explosive adoption, it was amazing to know despite the high failure rate that being reported in the organizations, still many managers looked at the BPR as the savior of their problematic organizations. For instance, a survey done by Deloitte & Touche showed 75 percent of 400 large North American firms planned to increase the number of BPR projects (cited in Maglitta [16]. Managers must realize that BPR was not a fail safe idea as the process would take a tremendous amount of work and the dedication of time and resources. Hammer and Champy, the founders of BPR, estimated as many as 50 to 70 percent of companies failed to achieve the dramatic results that were intended (Elmuti and Kathawala) [7]. Hence, a review in some real organizations would be followed to see what make BPR worked well!

Inland Revenue Authority of Singapore (IRAS)

In years before 1991, the IRAS key officials stated they taxmen only could manage to process 50 percent of corporate tax cases, 45 percent of the small business, and 40 percent of the individual taxpayers every year. All the backlogs were amounted to staggering S$1.14 billion revenue in arrears. It created many unhappy taxpayers and this was clearly unacceptable in a government that was obsessed with efficiency and competitiveness, based on Haley, Low, and Toh [12]

In year 1991 to 1996, IRAS took on a transformation measure BPR with the facilitation of external consultants. It bought a $69 million Inland Revenue Integrated System – an elaborate computer program to handle all types of taxes under one-stop service center. The result showed 80 percent of the tax transactions passed through the processing pipeline without any human interactions and more backlogs were being cleared. Besides increasing its customer satisfaction, IRAS was able to reduce its tax arrears dramatically (Siew and Boon) [24].

According to the IRAS key officials, the success of their BPR was not mainly by the changed-system, it was the people who make the change worked tremendously. IRAS's success was based on its sensitivity in handling both psychological and political disruptions that could bring to its people during the transition process. IRAS looked at the change on its people as the main issues as they understood dealing with people was far more complicated and painful if compared to various process design during the transition.

Thus, IRAS created the multi channel of communications for its people like help desks, suggestion box, questions and answers, dialogue etc. All the feedbacks and concerns by the employees were being addressed in a transparent manner. There was a lot of communication being done to make its people understand and participate in the changed-process. As the result, the BPR in the IRAS was being able to run smoothly with the support of its own people. In the table 2 contained the IRAS's performance achievement before and after the BPR implementation.

Table 2: Performance Indicators of IRAS Before and After BPR

	Before	After
Tax Collection	$9.3b	$13.9b
Income Tax Arrears	$967m	$761m
Property Tax Arrears	$106m	$53m
Cost Per Each Dollar of Tax	$0.88	$0.82
Tax Return Processing	7 months	5 months
Staff Turnover	11 percent	10 percent
Taxpayer Satisfaction	Rated as the lowest in the Civil Services	90 percent of the tax pay satisfied

Source: Siew and Boon (1998, p.510)

American National Bank of Florida (ANBF)

Jacksonville-based American National Bank of Florida was a 55-year-old community bank with 12 branches and more than US$600 million in assets. Its goal was to be the very best full-service community bank in its thriving city. In 1995, the top managers of ANBF realized they need to change in order to meet that goal. Then they started the BPR that altered the whole organization, its way of thinking and its employees [21]. The result of its BPR created a call center as all of the branches were found spending most of their times answering the telephone. The call center could help the bank to serve walk-in customers with uninterrupted services. Quintana as the assistant vice president of the strategy and development of ANBF, was given the mandate to build and manage the call center.

Within a year, the call center had grown from an information-only to a full-service operation center. It had gone from handling 3,000 calls per month to 15,000 by assisting the bank customers doing all sorts of processes. Customers could open accounts, made fund-transferred, applied for a personal loan, get replacement for the lost ATM card etc. All the jobs were reported being done in a more effective and efficient way. Nevertheless, Quintana mentioned that the success of the call center was actually relied on the supports from her staffs. Most of the staffs could accept the change well as she had done a brilliant job in communicating the change to them. Her golden word was "trying to make reengineering from the bottom up" as she believed involving the bottom line employees was the main issue in BPR, which proved worked well in the case of ANBF.

Blue Shield of California (BSC)

BSC was a private health care firm in California. In the US, health care firms served as intermediaries between patients and private health care providers. In 1993, the BSC board of directors hired Moon as its new Chief Executive Officer (CEO) to turn around the firm internal environment. BSC was reported having low revenue, status-quo business systems, high administrative cost ratios, and traditional control of work climate (Stebbins, Shani, Moon, and Bowles) [25]. Moon decided BPR could help BSC to improve its competitive position. He believed the culture transformation was the foundation of the overall change. Before any systemic-change, open-forums were held to let employees voice out their frustration, identified a problem and offered ideas for change. The whole BPR involved the conversion of 11 remote service centers into three large operation service centers.

Based on Moon, the highest pressure on the new service centers came from the human related matters such as downsizing, hiring, relocation. placement. training etc. After minimizing all the resistances showed by the staffs, the BPR worked well for the BSC. It managed to achieve significant results after

the transformation. BSC was able to reduce its administrative costs by 15 percent and to increase its data entry productivity by 60 percent. The BPR had transformed BSC from a profit-loss to a profit-making organization. A positive $21.9 million operating income in 1996 was being achieved (Stebbins) [25].

Lessons From The BPR

Many lessons could be learned from the three real cases (IRAS, ANNBF, and BSC) as given above. The importance of the people-support could not be denied as many studies had shown the people factor was a critical factor in the BPR. To name a few, Gore (2000) [11] in his study mentioned about the people who act as the critical success factor for the BPR. He pinpointed Hammer and other leaders of the reengineering movement actually had forgotten the human element, which eventually lead to many BPR projects failed. Jackson (1994) [14], on the other hand, stated it was the people who design, distribute and deliver all the services. New technologies and processes would not perform without the support from the people. For instance, the BPR in the IRAS would not be success if not because of its priority on getting the support from its good people (Siew and Boon) [24] In addition, Nwabueze [18] further concluded that many BPR projects failed as a result of not taking people elements into considerations. All those study findings and organizational experiences had signaled a very clear message to the others who which to take on BPR, that was "never forget about the people element!" No matter how good was the changed-process, without the people-support, it would not work as well as it was being intended.

Communication

Human beings want security and stability. When people heard about the change, definitely they would worry about their current status quo would be affected or not. Hence, lack of understanding about why change was needed and fear of unknown would be occurred. All these would create resistance to change and could pose as a big hindrance to the BPR implementation. The managers should then take up a great responsibility to communicate the change to all the staffs, let them understand the need and the urgency for the change. Bennis and Mishe [1] suggested the communication should be delivered by the most senior level of the organization, as information from this level commanded immediate attention and carried very high credibility, if compared to middle and lower line managers. Besides, two-way communication should be preferred as those concerns addressed by the staffs could serve as the beneficial feedbacks to improve the BPR processes; and also not forgetting the importance of the consistency in doing the communication. The two-way communication would eventually lead to the staffs' participation in the changed-process.

Participation

Staffs' participation could create another solution to reduce the people resistance to change in the BPR implementation. Given such measures, staffs would feel themselves being involved in the BPR process and subsequently would help to reduce their anxiety on the uncertainties. Thus, they would be more willing and dedicated to the changed-process. Anyway, the questions of how to do it in a proper way could trace to the Quinn Model [20] as showed in the figure 1. She suggested CEO should consider all the lower line people in any changed-process.
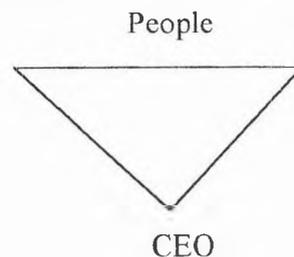
People

CEO

Figure 1: Quinn Model

Source: Genus [10]

In the case of the ANBF, people-participation proved to be the main agenda of its BPR and it worked fantastically. Research findings by Davenport and Stoddard [6] showed the importance of the staffs' participation, where many BPR projects were reported failed because of their inappreciative efforts on the people participation. Meanwhile, Caron, Jarvenpaa, and Stoddard [3] also came out with the same conclusion in their study.

However, there were many scholars who didn't think the BPR should include employees' participation; as they believed the more participation that gave to the employees would only create more chaotic situation. They believed the correct way of doing BPR should be in a top down approach. Every change must be initiated and decided by the top management people who were clear about the corporate vision, the processes to be changed, and the goals to be achieved by the process redesign. This was being mentioned in Ruhli, Treichler, and Schmidt [23] study. So with Valentine and Knights [26] who believed only the business leader could visualize and drive the change in the faster and strategically-focused ways, not the lower line staffs. Involved the staffs' participation might reduce the resistance to change but if managers were unable to manage well the issue of staffs' participation, it would only delay and gave more problems to the BPR. For examples, there might be too many unrealistic requests by the staffs to be fulfilled and the problem of reaching consensus etc.

The Role of Information Technologies (IT) In BPR

The three real cases (IRAS, ANNBF, and BSC) above did not mentioned much the IT aspect, as the refurbishment of the machines was considered much easier than getting the people support. However, the fact of the IT (hardware, software, telecommunications, and data management) that served as the indispensable tools to support BPR could not be denied. Without IT, the BPR was hardly possible as it acted as the critical success factor for the BPR. By using IT, organizations could make their tasks easier, redesign their organization, changed the way they worked, and achieved spectacular improvement. Martinez [17] in his study mentioned "unless management gave IT a prominent role in the BPR, other wise efforts would be doomed to fail".

Some actual examples that showed the important role of IT in the BPR were cited in Olalla [19] study. For instance, Hewlett-Packard (HP) provided portable computers that connected to the company's inventory database to its salesperson. The new measure in the sales transactions had helped HP to increase its sales by 10 percent. Other example liked IBM Credit which utilized its databases and telecommunication networks, managed to cut down the time to finish a financing claim from two weeks to only four hours. Bennis *et al.* [1], on the other hand, chose Ford as the role model for the BPR. By applying shared databases in the account payable process, Ford was able to eliminate all the duplication of efforts and subsequently managed to reduce 75 percent of its work force.

Based on many successful examples being shown above, it was acknowledged that IT had the power to transform a business when everything done right. However, IT could cause huge damages as well if not being implemented properly. Many organizations suffered losses as the result of IT misapplied. Most of the time organizations just assumed that they could buy process-change in a bottle or off a shelf. It was a big mistake. When they found out the new process-change did not fit into work, it was already too late. Champy [5] suggested before any radical IT implementation, a thorough understanding on the processes was needed. Organizations should unlock the processes, figured out how things work, then figured out how things should work.

Organizational Structure

Besides the human and IT factors, organizational structure played as another critical success factor for BPR. Both Olalla [19] and Fondas [9] stated the best organizational design that worked best for the BPR is a team-based structure. An insight into a community hospital in the US proved the strength of using team-based structures in the BPR. In 1995, St. Ann's Hospital decided to have BPR in order to improve quality of care and to reduce the costs. Realized about the problem that brought by its functional structure to its BPR, St. Ann' Hotel started to reorganize its work structure into team-based structure which they named it as patient-care units. The result showed a bulk of cost saving for St Ann's Hospital and an increased patient-satisfaction (Miller and Kinsel) [15].

At the same time, matrix structure also could fit well with the BPR as the nature of the BPR would require cooperation from cross functional departments (Ruhli et *al)* [23]. By having groups of people from different talents working on the BPR would eventually help to fasten and improve the whole process. However, a study by Valentine *et al.* [26] against using matrix structure on BPR. They believed cross-functional project teams could create many human related conflicts and eventually slowed down the BPR, if not failed it. This might be true, by considering people coming from cross functional departments would have difficulties to work together. Nevertheless, if the benefits that brought by is greater than the costs, the matrix structured should be used for the BPR.

CONCLUSIONS

Many organizations' experiences and findings showed the people-support, IT, and team-based structure were the three main critical success factors for the BPR. On the people aspect, well communication is necessary to convey the need and urgency of the change to all the staffs. This measure should help to reduce the resistance to change. Besides, staffs' participation could also help to gain the people support. However, managers must know how to manage well the issue on staffs' participation. Other wise, it would backfire the initial well intention of having staff participation in the BPR implementation, bringing more problem than the benefits.

About the IT factor, it was a necessity to most of the BPR projects. The issue of IT misapplied into the BPR should be a very big concern as it could cause huge losses to the organization. In some cases the negative impacts were unbearable where the whole organization could be ruin by it.

For the organizational structure, team-based was proved to be the best recommendation for BPR. Anyway, some organization could also use the matrix structure as the project nature of BPR required many talents from different functional departments to work on it.

By looking the high failure rate that showed by the real organizations, these critical success factors were very crucial for other organizations that would like to try on BPR. It could act as a surfboard for those organizations and helped them from being overturned by the strong reality waves.

Anyway, there are still many other critical success factors which can apply to the BPR. A further study on this topic can be done in the future.

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