

BUSINESS PROCESS REENGINEERING (BPR): REJUVENATE THE BUSINESS LICENSING PROCESS IN A LOCAL GOVERNMENT

Muhammad Ridhwan Ab. Aziz¹³⁷, Syadiyah Abdul Shukor¹³⁸
Umami Salwa Ahmad Bustamam¹³⁹, Zainal Abidin Mohamed¹⁴⁰

All lecturers from the Faculty of Economics and Muamalat, Universiti Sains Islam
Malaysia, laniaz@usim.edu.my

ABSTRACT

"AN ENTREPRENEUR'S PERCEPTION AND DILEMMA ON PUBLIC BUREAUCRACY; A CASE STUDY"

Government's transformation plans are being implemented in various ministries and departments at the Federal level and are supposed to trickle down to the state and district levels as well. We have heard of several on-line systems, "PEMUDAH" and "BLESS" where issues on bureaucracy (amongst others) are being looked into. Developing entrepreneurship and small business have also been given a fair focus to help the respective sectors play their role in the country's 2020 vision. This paper looks at the other end of the spectrum by looking into some of the issues faced by the small business enterprises with respect to the bureaucracy that they had to endure when trying to sustain their ways of living. Although one case study is presented, it depicts the fundamental or ground level issues being experienced that can be generalized and looked from a bigger perspective. Encik Lukas (not his real name) waited for 3 months to get his business license approved and thus removed his status as an "illegal business man" (which was much longer). *'But, why 3 months, he lambasted?'* This paper then probed and discusses what goes on in the respective Majlis Perbandaran Tempatan (MPT), and followed his application documents and discovered the kinds of bureaucracy (required process flow) that it had to go through. The paper then suggests the kinds of actions and changes that can be considered resulting in the process time being reduced by 80%. This will be a transformation and thus a business process reengineering recommendation!

Keywords: business process reengineering (BPR), business licensing application process, case study, local government,

¹³⁹All four lecturers from Faculty of Economics & Muamalat, USIM, Nilai, Negeri Sembilan.

PART 1: THE CASE

PROLOGUE:

Lukas was celebrating his graduation as he just officially received a Diploma in Mass Communication scroll form the President of his university on the 23rd of October 2011. It was after that celebration amongst his close friends and relatives that he remembered his mum asked him what he wanted to do after getting the Diploma.

“Please find some work to at least support yourself,” she commented when seeing the three of them seating together during the end of the gathering.

“Mama, remember my three close friends from the same secondary class and together we played the musical instruments for the school? Two are here and we have agreed to set up our own small company to do art, design and advertising. Dollah and Swee Kiat here (showing his mother the two close friends) are good with their hands and creativity. They did well in the Arts and Drawing class and wanted to pursue what they felt was their hobby. In fact we have already registered our company’s name with the Registrar of Companies in the city last month and have even looked for a few alternatives office space to choose as our point of operations. Mahlil our third person is also finishing his music lessons from a private school in Kuala Lumpur within this month. All four of us will do the business together and may we request your blessings.”

That was 2 months ago! In fact *“we have already carried out a few events but using a friend’s company name as our application for the business license is still not approved yet.”* Explained Lukas to his friends during a late dinner after completion of an event that they organized. This was what they normally did after each event and discussed openly on what had happened for them to diagnose.

“What?”, exclaimed Mahlil in surprise. *“how much do we have to pay for using your friends license. You did not discuss with us on this?”*

“Sorry for not telling you. I was also hoping that our license would have been approved but after 2 months there is still no news.” Lukas interjected.

After almost an hour of heavy discussion on the license issue, all of them agreed that Lukas should pursue the issue and shed some light on it and report on the status of the application next weekend.

“Okay members,” he admitted apologetically, *“I will go to town tomorrow and see the officer in charge. He is also my second cousin and hope that he can give us the needed information. I will be able to say something even by tomorrow night and not by the weekend. I will call him tonight for an appointment tomorrow and who knows we can make some solid recommendations to my second cousin for the process to be speeded up.”* It was already late and they dispersed for the night.

THE GOOD OLD SCHOOLDAYS:

Lukas and his three friends were originally from different villages but met during the secondary school year s. They were from different classes and met only during the co-curriculum activities after the normal school hours. They got together because of their attraction to music and the school had a set of musical equipments which were looking for

members to use them. The school music teacher had only Mahleel as his student and announced during one of the school assembly the search for new members as three of the former musical team had all finished their secondary education. That was how the four were brought together after a series of selection process done by the teacher.

The four had 2 years of togetherness playing for the school band. But after the school certificate exams, they had discussed about the future and their music teacher was the one that had personal counseling with them. He new of Mahlil's interest in music and suggested he continue pursuing that. Swee Kiat and Dollah were guitar players and identified by the music teacher as potentials in the area of arts and design as both of them did well in the related papers. They were told to pursue advertising and design activities as their career path because of their high sense of creativity. Lukas however was suppose to be good in language. Other than being one of the musical band team member, he was also in the school debating team and won a few awards in the oratorical contest at the state level. When all of them ended the secondary school education, they went their own ways as none was offered to continue study in the same higher institution. Mahleel went to a private university in Damansara for his musical certificate qualifications. Lukas went for a bachelor programme in Mass Communication. Swee Kiat and Dollah went to two different colleges but pursuing similar objectives of acquiring skills in art, design and advertising.

MATURED COLLEGE PRODUCTS:

A few months before the final exams while in his final year, Lukas had called his three close friends to inquire what they were doing or planned to do after graduation. He managed to coerce them into coming for a gathering during one of the public holiday. They met at their favorite place in one restaurant along Sungai Pahang. They had a good time recalling their 'good old days' while in school but also discussed their future plans. None of them continued the hobby of playing music in their respective institutions. Nevertheless all agreed that they are willing to come back together as a group if something viable came up. Amongst the many possible activities discussed was Lukas's idea of forming a business company to do advertising and design.

"The entrepreneurial activities in the university excited me. My friends there were talking about forming companies too, but I am comfortable working with you guys and thus triggered this meeting", he explained. *"Would LUMADOSK be agreeable as our to-be company's name?"* he asked. The discussion continued and ended with them agreeing to come back to Lukas's hometown once they finished their final exams.

JUMPING IN:

Three of the four partners met on the fourth Saturday of July 2011 in the same restaurant and decided to take up a project offered by a manufacturing company to launch its new herbal drink in town in September. The company's manager was Lukas's neighbor and on hearing that he had finished his final exam and knowing that he did mass communication asked whether he can take up an event management activity. Lukas grabbed the offer as he felt that he had a few experiences in organizing such activities while in the university. For two months the three worked on the project (Mahlil had not finished his professional musical exams) and at the end got their first payment worth 15K from which a net revenue of 9K was recorded. His neighbor commended the event managed by "LUMA

dosk” and told Lukas that he should continue with this kind of activities as there are not many good ones in town.

The registered name of the company was “LUMA dosk”. After the first project, the company managed to secure a few more event management projects and the meeting on the 23rd October was the end of the third project. This was when Lukas was asked on the status of their license application.

Lukas in August 2011 had filled in an application form for an entertainment license. Completing the application form was done in a short time but he had to come back the next day because of the documents required such as the company’s profile, the owners’ details, listing the possible activities, a drawing of the layout of the premises and the processing fees. He was told that the MPT (local authority) will inform him once the license was approved.

[Lukas had rented two adjacent 2nd floor shop lots for the business. In one lot, he had planned and designed three sound proof rooms (1 large and 2 small) for Karaoke and another small room for playing/practicing musical instruments (jaming). The neighboring lot was for the office and space allocated for the arts and design work and other event activities. From what he knew about safety regulations for an entertainment license, Lukas had allocated ample fire escape routes, smoke detectors, four fire hydrants strategically located, security grills for windows and wide doors.]

THE VISIT TO MPT:

Lukas reached the MPT office around 8.15 in the morning. It was still early as the stated service counter began its operations at 8.30 a.m. He had made an appointment to see his cousin at 9.00 a.m. so he had time and went to the nearby canteen to pass the time. By 9 a.m., he went back to the office and inquired about En Ariffin at the counter after which he was shown his cousin’s room.

After some greeting gestures, and with another of Ariffin’s officer, Azman, Lukas realized that his cousin was busy and preparing for an organized function at the department, he went straight to the point on the purpose of his visit.

“Sorry Luk”, he apologised. *“I have your application form here in this file and noted that the date of your application was 2 months ago. We are still in the process and probably need a few more weeks for the final approval.”*

“Why so long and what else need to be done?” asked Lukas in frustration.

“Everything is in this file, and you can go through it with my officer Azman. He can explain all the details but I have to go now for another ad hoc but urgent meeting in another building next door. But normally it will take about 3 months to process it.” He said while making his way out of the room. And looking at Azman he said, *“Azman please handle my cousin’s enquiry and give him all the necessary information he wanted.”*

And turning back to Lukas, *“Assalamualaikom dan kirim salam kepada Pak dan Mak Anjang”*, he uttered in the Malay language. [in English it meant to convey greetings to Lukas’s parents]. But his last parting words before disappearing were, *“Lukas, come up with*

a solid recommendation tomorrow if you can and not just mere data collection exercise, please. We will appreciate and perhaps can go for more collaboration work."

The process flow:

Azman took the license application file of Lukas and invited him to go to his room a few doors away. *"My room is smaller but I have 'three-in-1' coffee and tea available and also some local cakes. I have the whole morning for you, and you can ask any detail you want. My boss has given the green light for you to probe. You are lucky for we usually keep the details to ourselves."*

On finishing the drink and food ('nasi dagang' which is a favorite morning meal menu and meant for travelers), Lukas realized that Azman was already laying out a big flow chart diagram depicting the process flow of license application on his work table.

"When we first process your application, we realised that you have filled in the wrong application form. You filled in a normal business license application form. It should have been a high risk business license form. We should have return the form to you but your cousin insisted that it can still be used and only made some adjustments in the information required. It saved you time instead of perhaps a few weeks if the form were to be mailed back to you. But nevertheless we proceeded to evaluating your application." Azman started.

"Thank you. But when I asked at the counter last time, nothing was said about the different category of business application. I just said business license and she gave me the form. I did not also know that different types of business have got different forms to fill," replied Lukas.

"Yes that is our problem. But now we have made some modification where there is only one form to be filled for all types and the categories are listed in the form for the clients to just tick," Azman responded.

"Aah that's good." Lukas nodded in agreement.

Lukas then continued, *"can we have a look at the process flow and locate where is my application now?"*. Azman gave him space for him to look and studied the chart and after about 10 minutes commented, *"En. Azman, there are only 16 steps involved and how come it is taking so long for approval?"*

"Yes I know. In fact the 16 steps are listed at the bottom of the chart for you to cross-check and confirm. As you can see the total time estimated is about 2.5 to 3 months. Your application had just reached the 2 months mark and so it is still within our estimated duration."

"But can you tell me where exactly is my application form now?" Lucas insisted.

"No problem", as Azman opened the file, and continued, *"from the documentations available, your application is at step number 8 as the owner of step number 7 has returned to us 4 weeks ago. We then passed it to owner of step number 8 a week later and it is now at the office of the owner of step 8. As you can see we depend a lot on the outside departments to help us evaluate your application. Your fire safety diagrams with the water piping layout and hydrant locations were very important and critical. Your doors, emergency exits and windows and your room walls padding were also scrutinized and validated by the owner of step 7. They finally approve with minor repairs. Now we have requested the owner*

for step 8 to take over and am waiting for step 9 to be carried out. We have got no choice as many of these are done by departments outside our control.” Azman ended his explanation.

Lukas sighed and now understood the process flow and the slowness of the process. Next will be step 10 which is still longer and step 13 the final activity that will take a few more days. He took down notes and drew sketches of what happened for him to brief his partners. He then sought permission from Azman to see the person who was personally responsible for handling the documents flow. Azman managed to get the person see Lukas during the lunch break as she would not be available after lunch hour because of heavy work duties. Lukas thanked Azman who also confirmed that he would be the personnel labeled as ‘c’ in the process flow chart. The person Lukas wanted to see was Khatijah, labeled as ‘b’ in the chart. Lukas brought Khatijah out for lunch at a nearby restaurant across the river (Tanjung Lumpur) but together with her office mate. Azman could not join as he had to fetch his eldest son from school.

Lukas remembered his operations management basic course which he took as an elective while studying for the mass communication diploma. He recalled idle time exist in many processes where the documents sit in the tray waiting for action. His industrial attachment at Utusan Malaysia printing in Sungai Besi exposed him of the waiting time, transfer time and non-value added activities which were significant contributors to delays and slowness in handling customer complaints. Those were important ‘bullets’ for him to discharge when discussing with Kat he thought. (“Kat” being the name her office mates called her according to Azman)

Lunch with Ms Kat:

According to Lukas, the lunch turned out to be quite an experience. Other than the good and delicious food and of course the welcomed company by not one but two ladies, Lukas confirmed that the delays were unavoidable and resulted in long hours consisting of waiting time and in most instances days and weeks. Together with Kat all the 16 steps were charted and more important were the respective breakdown of the time spent for each activity (and in most cases agreed by Kat’s office mate). Luckily Azman (who was also invited) could not join the lunch outing Lukas thought. (He was thinking in his mind for if Azman was around, Kat might not be able to give such detail breakdown of the time willingly).

Epilogue:

After driving the two ladies back to office, Azman rushed home (another 1.5 hour drive) and got his partners to meet him at the same regular restaurant that same night. But before the meeting he wanted to show them some prepared charts. By 8pm, he had three documents ready. First was the process flow diagram which he had charted, out of discussion with Azman (Attachment A), followed by a table as an outcome of discussing with Kat (Attachment B) and finally he did a simple Pareto Chart (Attachment C) to illustrate certain principle he wanted to share. These and together with his gang, Lukas hoped to make some concrete suggestions (as how to cut the time) so that license application can be processed and approved faster and business activities can begin as early as possible for the budding entrepreneurs. He was confident that members of “LUMA dosk” will be able to make some significant recommendation for him to see his cousin again who wanted it by tomorrow!

Part II:LUMA dosk's Recommendations

The partners were briefed on Attachment A and understood the meaning of the various time components (value added, non-value added, waiting and transfer). From a simple calculation, the process efficiency was calculated to be only 2%.

But the Pareto chart's output which focused on the activities that took the longer times in sequence, caught the attention of the partners. They all agreed that these were the activities that need to be reengineered if the time cutting is to be significant. On further checking, Lukas had the checklist of what Departments A and B would look for and these were not difficult to fulfill. But what took so long was the visit by their respective officer to verify the check list and that these had been followed closely. The actual checking took only 1 day (or less) to complete but it was the scheduling of their officers that was problematic. They did not have enough qualified personnel to do the checking as fast as they would like.

THUS THE PROBLEM OF DELAYS WERE ALL ON WAITING TIME.

Proposal to be forwarded on Department A and B:

To list all the requirements that the two departments wanted,

Trained MPT staff to be aware of these, so that they can do the preliminary checking and cross checks with the list.

Once fulfilled then an invitation will be sent to the department authority to come and check. (Similar procedures are done for the second department requirement.)

If several MPT staffs are trained they can do the checking in 1 week as it is their interest to get the license issued faster.

MPT monthly meeting:

This is more a formality and the process can be done faster if the two departments(A and B) can have their approval faster. MPT can then issue a temporary license until the monthly formality is carried out.

Or form a smaller sub-committee to look into it and meet more regularly perhaps once a week or when there is an application that have been approved by the Departments A and B. Time taken should be only 1 week for the final approval and it is more a formality.

The approval committee can have an online system of endorsing application. On being notified of an application and after approval by Department A and B, and three members that endorse can be accepted as formal approval.

Endorsement of Approval noted in the minutes by Officer:

Again this is mere formality. Issuance of temporary license and later followed by the official one is again recommended.

REFERENCES:

Lawrence, M. and Zainal M., Chapter 1 The Case for the Case Method, in Case Writing, Kandasamy M.(ed) 2010, Case Writers' Association of Malaysia, Serdang, Malaysia..
Obolensky, N.,(1996). *Practical Business Reengineering*, Kogan Page London.
Reynolds, J.I. (1990), Case Method in Management Development, International Labor Office Geneva.

ATTACHMENT 1: THE CURRENT PROCESS FLOW														
SUSUNAN KEGIATAN DALAM PROSES YANG SEDIA ADA														
SUSUNAN AWAL	A	B	C	D	E	F	G	H	I	J	K	L	M	N
MASA	0	0.05	0.1	0.1	0.1	0.1	18	84	1	132	0.1	1	30	0.1
SUSUN IKUT ORANG BEKERJA														
a PEMOHON	A													N
b PEGAWAI 'b'		B	C	D	E						K	L		
c PEGAWAI 'c'						F							M	
d JABATAN A							G							
e JABATAN B								H						
f PEMERIKSAAN									I					
g MESYURAT J/K										J				
MASA	0	0.05	0.1	0.1	0.1	0.1	18	84	1	132	0.1	1	30	0.1
h														

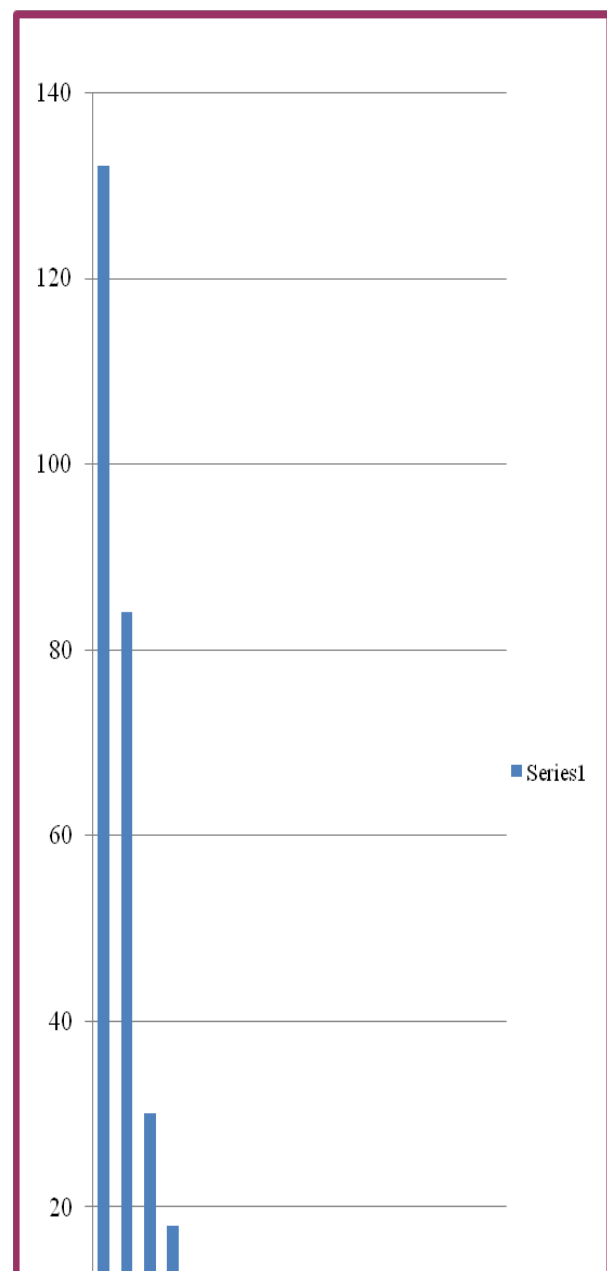
**ATTACHMENT B:
 KEGIATAN DALAM
 PERMOHONAN LESEN
 HIBURAN**

MASA KEGIATAN DENGAN TERPERINCI							
OR AN G	KEGIATAN	AKTIVITI	MASA KESELU RUHAN (JAM)	MASA AKTIV ITI BERNI LAI	MASA TUNG GU	MASA PINDA H	MAS A AKTI VITI X DI NILAI
1	a	A	PEMOHON ISI BORANG DAN SERAH	0			
2	b	B	PEGAWAI TERIMA BORANG	0.05	0.05	0	0
3	b	C	DAFTAR PERMOHONAN	0.1	0.1	0	0
4	b	D	BUKA FAIL	0.1	0.1	0	0
5	b	E	KELUARKAN SURAT AKUAN TERIMA	0.1	0.05	0.02	0
6	c &a	F	TT OLEH C DAN KIRIM SURAT KE PELANGGAN	0.1	0.1	0	0
7	D	G	ULASAN JABATAN A	18	1	0	17
8	E	H	ULASAN JABATAN B	84	1	0	83
9	F	I	PEMERIKSAAN PERMIS OLEH PEGAWAI DARI B	1	1	0	0
10	G	J	MESYUARAT JAWATANKUAS A KELULUSAN LESEN	132	2	130	0
11	B	K	PEGAWAI CETAK LESEN	0.1	0.05	0.05	0
12	B	L	PEGAWAI KELUAR SURAT PEMBERITAHU AN	1	0.15	0.45	0

13	F	M	PEGAWAI TANDATANGAN KEPUTUSAN	30	0.1	0	29.9	0
14	A	N	PEMOHON TERIMA SIJIL LESEN	0.1	0.1	0	0	0
15	A	O	PEMOHON MEMBUAT BAYARAN	0.1	0.05	0.05	0	0
16	A	P	TERIMA LESEN YANG SAH	0.1	0.1	0	0	0
JUMLAH MASA KESELURUHAN				266.9	5.95	130.57	129.9	0.03
KECEKAPAN				2%				

WORKSHEET 3B

DATA DISUSUN (dari tertinggi ke terendah)	
J	132
H	84
M	30
G	18
I	1
L	1
C	0.1
D	0.1
E	0.1
F	0.1



K	0.1							
N	0.1							
O	0.1							
P	0.1							
B	0.05							
A	0							
	266.8							
	5							