



# Business Process Reengineering and Organizational Performance: An Exploration of Issues

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It has been nearly seven years since the term BPR came into existence. Its innovative approach to change management and resulting successes and its overextension and misuse and the resulting dissatisfaction have raised many questions. This paper provides an empirical validation of some of the suggestions and prescriptions in the BPR 'critical success factors/pitfall' literature, through a content analysis of the annual reports of many companies that have reported successful reengineering projects. The results of this analysis suggest that many companies were not implementing BPR alone, but as one of the component of a set of change approaches that include strategic rethinking of business direction and less radical process improvement. This suggests that, at the organizational level, BPR should not be evaluated alone but as a part of a 'strategic change set'. This paper also presents an exploratory longitudinal analysis of firm performance measures to see the value created by BPR to organizations. The main idea was to see the effect of process change on productivity measures like sales by employees and financial performance measures like revenue growth. The findings from this analysis show that process change seems to be correlated with the productivity measure sales by employees, but its effect on the other financial performance measures is not evident. This suggests the need for organizations to focus more deliberately on the effect of process change on these measures, and integrate BPR with other change approaches and move towards a continuous change paradigm. © 1998 Elsevier Science Ltd. All rights reserved

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## Introduction

Since the late eighties BPR has established itself as one of the most attractive change management options for coping and adapting to the new competitive environment. Reengineering is the *fundamental* rethinking and *radical* redesign of business processes to achieve *dramatic* improvements in critical measures of performance such as cost, quality, service, job satisfaction and speed.<sup>1</sup> BPR utilizes components of several other tools and concepts such as systems engineering, benchmarking, Activity Based Costing (ABC), scientific management, customer satisfaction measurement and cross functional team building, in addition to Total Quality Management (TQM) of the quality movement. In addition to these borrowed concepts BPR prescribes looking for dramatic returns through discontinuous change. BPR without the radical change/dramatic returns is business process improvement (BPI).

While the differences between the radical (BPR) and incremental (BPI/TQM) approaches are clear in theory, the dividing line between them

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become blurred in practice. For instance, Motorola's famous quality program aims to increase quality tenfold every few years, while many supposedly reengineering programs are little more than incremental tinkering.<sup>2</sup> Further practitioners see a lot less difference between BPR and TQM, than academicians. In a survey of practitioners and academicians, practitioners saw only two significant differences between BPR and TQM namely length of the project and amount of change attempted. In contrast academicians saw ten major differences between BPR and TQM.<sup>3</sup> In addition to the length and amount of change attempted, academicians considered the importance of starting from a blank slate, role of top management in identifying changes, role of management in project management, pace of results during implementation, employee participation, impact of the change program on employee morale, need for empowerment and the importance of being able to see when a certain process or division needs to be changed as significant differences between TQM and BPR. Organizations learnt the need to integrate these two approaches to prevent conflict between champions of different change programs. Some were able to achieve seamless integration between the two approaches, while others either did not feel such a need or achieved some adhoc integration. This can be inferred from a content analysis of company annual reports presented in the next section. Integrating BPR with other continuous process improvement programs (like TQM) can be done in several ways. Continuous improvement can be sequenced after a BPR effort.<sup>4</sup> Alternatively organizations could create a portfolio of processes and choose different process change programs for different processes, based on the criticality and pay-off potential of each process.<sup>4</sup> The next Section describes a content analysis of the annual reports of many companies that have reported successful reengineering projects. The results of this analysis suggest that many companies were not implementing BPR alone, but as one of the components of a set of change approaches that included less radical process improvement. This suggests that, at the organizational level, BPR should not be evaluated alone but as part a 'strategic change set'.

Since the early nineties, BPR has been receiving tremendous attention from practitioners and researchers. A 1994 survey of 400 CIOs by Deloitte and Touche reported that 80% of the responding companies had at least one BPR project under way, and 81% expect the number of initiatives to increase in the next two years. Many early implementations did not have a clear idea of what BPR was. Many implementations did not pay attention to numerous issues any large scale change project should consider. All the early implementations resulted in a huge list of books, papers and research findings, with their lists of critical success factors, barriers, risk factors and intervention strategies for successful BPR implementation.<sup>[5-11]</sup> Most of them address the need for aligning project goals with corporate strategy, ensuring the commitment of top management (someone who has authority over the entire process, and the authority to change organizational structure and the measurement and reward systems), need to move away from an exclusive cost cutting focus to a balanced cost-cutting-revenue-growth focus, good methodological support, need for integrating with other change approaches, pilot testing and obtaining early wins, defining expectations, appreciation of risk factors, interventions for overcoming organizational resistance and political pressures, interventions for culture change and dealing with the 'survivor syndrome' of the change recipients. To sum up the lessons learned, BPR is not just

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<sup>3</sup> Krieter, C., Total quality management versus business process reengineering: are academicians teaching what businesses are practising. *Production And Inventory Management Journal, Second Quarter*, 1996, 71-75.

<sup>4</sup> Davenport, T. H., Need radical innovation and continuous improvement? Integrate reengineering and TQM. *Planning Review*, 1993, 6-12.

<sup>5</sup> Caldwell, B., Missteps, miscues. *Information Week*, 1994, 50-60.

<sup>6</sup> Carr, David K. and Johansson H. J., *Best Practices in Reengineering*. McGraw-Hill, New York, 1995.

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