



# Process reengineering in the public sector: learning some private sector lessons

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## **Abstract**

*The possible applicability of business process reengineering (BPR) to organisations in the public sector is explored through analysis of the central issues in BPR and the emerging experience of organisations which have recently implemented it. In particular, the paper suggests that success of reengineering may depend critically on the strategic capability of the organisation prior to undertaking the effort. For that reason well-performing organisations are more likely to improve performance by means of BPR than are weak ones. Yet, in the public sector, it tends to be badly performing agencies which are most encouraged to undertake BPR. Knowing and understanding the reasons for success or failure of BPR in private organisations can prepare public sector managers for undertaking the effort, but each reengineering initiative must be tailored to the specific needs and circumstances of the individual agency. Public sector managers should use the widest possible definition of 'value' when analysing value-added in process reengineering and should be especially sensitive to the way in which 'value' in the public sector is differently interpreted by major stakeholders. During this learning process, public sector agencies would be well advised to be conservative in estimating gains from BPR. © 1997 Elsevier Science Ltd*

## **1. INTRODUCTION**

Business process reengineering (BPR) has been one of the key fads in business management in the last three years. It has been explicitly promoted by its inventors as a revolution in business thought — it seems that now 'revolution' is no longer being preached by the USSR, it has been taken up by US management consultants.

BPR can be summed up as follows:

- (a) organisations must exploit all technologies available, particularly recent developments in information technology; and
- (b) the process which organisations use to arrive at the product or service they provide to customers must be radically redesigned in the light of the

organisation's current environment rather than its traditions.

Thus BPR is about breaking off from and doing away with past administrative traditions when marginal adjustments to past practices do not seem to help the organisation in dealing with its current situation (Hyde, 1994).

The purpose of this paper is to explore the possible applicability of BPR to organisations in the public sector, through analysis of the central issues involved in reengineering business processes and a review of emerging experience in organisations which have implemented BPR — these have been primarily in the private sector. In particular, the paper suggests that the success of a reengineering effort may depend critically on the strategic capability of the organisation prior to undertaking the effort.

## 2. WHAT IS BPR AND WHAT DOES IT IMPLY?

Hammer and Champy (1993, p. 32), the early proponents of the BPR concept, define reengineering as: "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". However, they are a little coy in coming up with a more precise definition. On the basis of their work and subsequent writings by others, it is possible to identify the following elements as important components of the concept of BPR.

- *A complete challenge to the existing situation.* Why is the process in place? Is it really needed? Does it add value? Could other processes, or the application of better information technology, get the same results as the process in question?
- *Radical redesign.* Reinventing the core processes needed in the organisation and breaking away from all past approaches, rather than making do with incremental and marginal changes.
- *Drastic improvement.* New processes should have the potential to improve performance by moving the organisation from one performance curve to a higher one.
- *Alignment with corporate strategy.* Changes should be wholly consistent with corporate strategy — but only after a re-examination of the mission and a redefinition of where the organisation would like to see itself in the foreseeable future, so that the vagueness and ambiguity which are common in published strategies have been eliminated.
- *Value enhancement.* Creating value where none

existed before, or increasing the value to meet (or exceed) that of the best alternative products and services anywhere.

Clearly these are highly ambitious claims to make for any management technique. What weapons are at hand? Why should this management technique make a difference, when so many others have proven inadequate to break through the inertia which suffuses most organisations? And, above all, how could such claims be substantiated in the public sector?

One reason for the ambition of the claims is that BPR aims to put rationality and systematic thought back into management transformation efforts, rather than relying on vaguer notions of inspirational leadership and culture change. Key elements of reengineering are *analysis* and *inductive reasoning*. The two intertwine at each stage of the BPR effort:

- they contribute, in the *first stage* of the preliminary BPR effort, to a better understanding of the issues and problems the organisation needs to address;
- in the *second stage*, analysis and inductive reasoning are used to explore the theoretical capabilities of the organisation, in terms of how well it is likely to be able to address its identified problems. In other words, a model is developed of organisational structure and administrative (work) practices that would allow effective and efficient attainment of goals and would help the organisation to deal with the issues that influence customer satisfaction;
- in the *third stage* of the BPR effort, the gap between institutional capabilities and the issues the organisation must address is defined;
- the *fourth stage* of a BPR initiative involves uninhibited problem solving efforts which assume no prior constraints on the direction or the nature of the solution to the problem, i.e. the generation of imaginative and creative ways of dealing with the identified gap.

These stages constitute a modern reformulation of the technique of function-cost analysis, traditionally used in value engineering (Bovaird, 1976). They require the specification of the core functions of the organisation, not just the activities carried out, in relation to each service provided. They also require the ability to allocate costs of all activities between these functions — a step beyond activity-based costing. Although this cost allocation procedure only needs to be done in a rough-and-ready way, and certainly does not require precise accounting information, it currently poses a rather daunting challenge to most public sector organisations (and many private sector firms).

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