

BPR: Creating the Conditions for Success

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Introduction

Successful business process improvement (BPI) hinges upon top management support, customer satisfaction, cross-functional teamwork, and a systematic means of solving problems.¹⁻³ However, a holistic framework that depicts how people in an organization can work together to implement BPI solutions has not appeared in the literature.⁴ Hence, the author presents a framework which includes a systematic methodology for guiding BPI efforts, a management structure for creating a conducive environment for change, and mechanisms for empowering workers. To explore the value of such a framework, an in-depth case study was conducted. The case describes how Caterpillar Inc. (Peoria, IL) introduced BPI into one business unit, Mossville Engine Center (MEC), six years ago and saved between \$10 and \$20 million. Caterpillar MEC manufactures a variety of small and medium-sized diesel engines. The engine centre employs approximately 5000 people with 1200 in management positions. Total revenue for Caterpillar Engine Division is \$3.7 billion. *At the request of Caterpillar MEC, detailed financial analysis was not included.*

A Holistic Framework for BPI

In the BPI model, workers make decisions, cross-functional teams tackle process problems, and organizational structures become flatter; people's roles change from controlled to empowered, managers change from supervisors to coaches, and top executives change from scorekeepers to leaders. The BPI model calls for a radical change in the way work is done.³ However, change is painful, risky, and not very easy to justify with traditional cost/benefit analysis.

The business process improvement (BPI) literature is replete with advice on how to improve business processes, but what is lacking is a holistic approach that encompasses the most important facets for long-term success—methods to facilitate people, an organizational structure conducive to empowerment, and a systematic method for solving problems. The study offers an in-depth examination of the BPI methodology used by Caterpillar. The case details what Caterpillar has done to make BPI work and offers tips to help other organizations overcome obstacles to BPI success. A theoretical model is developed that offers a conceptual view of holistic BPI. © 1998 Elsevier Science Ltd. All rights reserved

What is needed is a guiding framework that takes into account the existing work environment, organizational structure, job roles, habits, and problem-solving approaches of an organization to provide a holistic approach to solving process problems.

The proposed holistic framework has three independent components—a systematic BPI methodology, an environment conducive to change, and empowerment mechanisms for the people who do the work. The author posits that these three components, or pillars, provide the foundation of a holistic blueprint for solving business process problems. Figure 1 depicts a conceptual model of the three pillars of BPI.

“Environment” includes the management and executive structures, employee reward structure, and



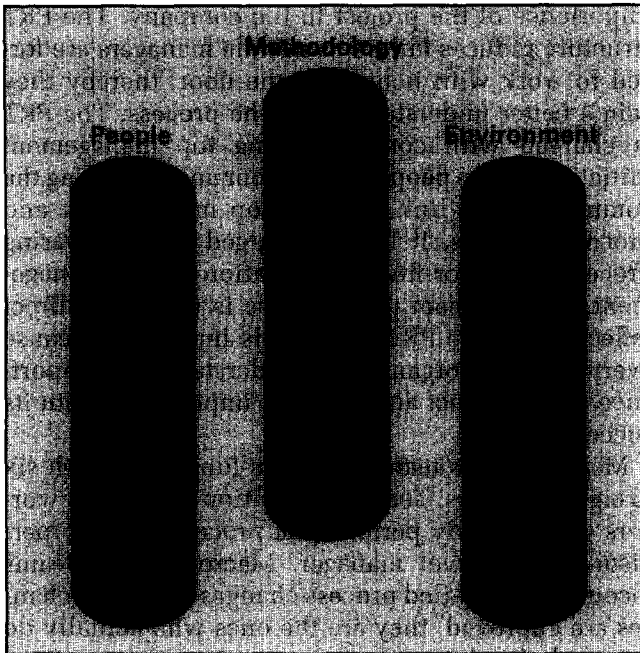


FIGURE 1. Three pillars of BPI.

team structure. An environment conducive to change requires a different kind of manager and a different kind of executive. A structure should exist that defines new job roles—manager as facilitator, executive as leader, and worker as problem solver. The executive team is also responsible for removing political obstacles as work teams rarely have the power to do so. Employees need a reward structure that compensates team effort over individual effort. In addition, a team structure should be in place that offers new job definitions, authority to tackle cross-functional process problems, and management support. To increase the chances of success, workers should be trained in how to be productive in a ‘team’ environment and management should be trained in how to facilitate the workforce.

‘Methodology’ includes a systematic (step-by-step) guide to solving business problems. The BPI literature typically depicts a five step methodology such as envision, definition, diagnosis, design, and implementation.² The purpose of the first step, envision, is to identify, evaluate, and prioritize critical ‘problem’ processes. The purpose of definition is to map existing processes to enable systematic examination of potential problem areas. During diagnosis, process improvement ideas are generated. In the design step, ideas are evaluated for potential value-added. In the final step, implementation, new processes are introduced, tuned, and monitored. Although the steps are presented in a sequential manner, *BPI is meant to be an iterative exercise*. In other words, moving back and forth between steps is

encouraged when deemed necessary by the project team. The systematic nature of the methodology allows team members to use specific modelling tools during different steps. For instance, flowcharting tools are recommended during the envision and definition steps; whereas process modelling tools are recommended during definition and diagnosis. The methodology also acts as a rallying point to keep the team focused on the proper tasks and activities required at a specific step of the project.

‘People’ includes direct involvement in critical decisions related to the project and freedom to approach problems in a creative manner. Worker empowerment is a key element of BPI. Team members need the authority to make critical process decisions where the work is done. In addition, creativity is crucial to process change. The existing process is not working because it was designed based on what has always been done in the past.

Inception of BPI at Caterpillar

In 1991, the company began the business process simplification and improvement (BPS/I) initiative in several Caterpillar businesses. BPS/I utilizes proven correction, simplification, and reengineering techniques to improve both office and factory business processes. Historically, operational processes have always undergone continuous scrutiny. However, office processes had received little attention. Hence, Caterpillar has shifted its focus to improving inefficient and ineffective office processes.

Formerly, small engine production was part of a larger profit centre. Hence, its productivity was not as closely scrutinized. As an independent business unit, it now had to turn a profit. However, the business unit had a lot of competitors and tight profit margins. It believed that business survival dictated an ‘improve or perish’ mentality. Moreover, it appeared that administrative and cultural changes would be needed to prosper in the future. For these reasons, BPS/I was adopted. Small engine and medium engine production was combined to form the Mossville Engine Center.

The BPS/I Structure (Environment Pillar)

The BPS/I structure consists of a team hierarchy for attacking process problems, as depicted in Fig. 2. The hierarchy includes:

- management review team (MRT)
- project review teams (PRT)

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