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Reengineering of materials management system: A case study

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Abstract

A business process reengineering (BPR) project relating to the materials management function of a cement manufacturing plant is presented in this paper. The BPR project evolved out of an organisation development (OD) intervention initiative. Such an intervention aimed at improving value innovation capability of materials management professionals of a large cement manufacturing plant in India. The proposition here is that the value metrics relate to inside-in value innovations in order to deliver inside-out value to the customers in the face of fierce competition in Indian Cement industry. Materials of all types used in a cement plant constitute 60–70% of the total cost and hence the effective operations of procurement and inventory are the critical success factors for strategic value innovations and thereby competitiveness. The primary emphasis in this project was on learning and implementation, by creating an urgency for instilling responsible leadership and building organic partnership through knowledge networking. © 2001 Elsevier Science B.V. All rights reserved.

Keywords: BPR; Materials management; Organisation development; Learning organisation; Change management; Value innovation

1. Introduction

During the decade of 1990s, business process reengineering (BPR) has captured the imagination of many industry leaders across the globe. Reengineering has been used by many companies for the pursuit of organisational efficiency through automation, labour saving and streamlining systems and procedures and the management reforms through business, market, technology and organisational development. BPR has been accepted in industry as a strategic initiative for managing change and the efforts for directing the change are

steered in multiple dimensions such as: structure, people, management, and system. BPR has been considered as a multidimensional problem solving approach, emphasising on very significant improvements in the organisational performance in terms of multiple parameters such as quality, cost, delivery, service level, etc. to gain competitive advantage. BPR in principle, concentrates on the generic transformation of business processes and thus focuses on various work systems within the enterprise. BPR enables to restructure various management systems and procedures with an ultimate purpose of inside-in value innovations [1].

With the advent of liberalisation, privatisation and globalisation of the Indian economy, there is a tremendous pressure for change. This pressure for change evolving out of outside-in forces

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penetrating Indian organisations demands not only the fitness to compete, but needs the competence and commitment to reengineer the age old management systems and build up a totally different architecture for enabling management professionals so as to avoid failures when threats are knocking at the doors from all fronts, to sustain the position of strength at least in the domestic market and to create a growth oriented future.

Many companies which have successfully implemented BPR projects have indicated a number of benefits [2–4], such as: improved financial performance, enhanced customer satisfaction, cost reduction, improved product/service quality, improved delivery performance, improvement in productivity, enhancement in flexibility/responsiveness, reduction in process times, faster rate of innovation, organisational restructuring/reengineering work systems. Although reengineering is important for business organisations but complex to implement. A total systems intervention is needed to redesign the existing business processes by focusing upon competition, customers and change. For a cement company, an organisational development

(OD) intervention initiative was undertaken by the authors to create modalities for organisational facilitation to identify problems, design solutions and implement them to transform the age old practices carried out perpetually. The result of this OD intervention initially culminated in undertaking a BPR project in the area of materials management as the materials cost is the critical success factor (CSF).

2. BPR Model

We have scanned the BPR literature [5–8] but we could not find a well-defined framework reported in the literature which can easily be adopted and used. Hence, we have made an attempt to formulate a framework for BPR. This framework is depicted in Fig. 1. The salient features of our proposed framework are: (a) a step-by-step logical approach which is easy to follow, (b) incorporation of the feed back to evaluate the results of BPR and to take corrective actions, (c) team-based implementation process and thereby increasing the

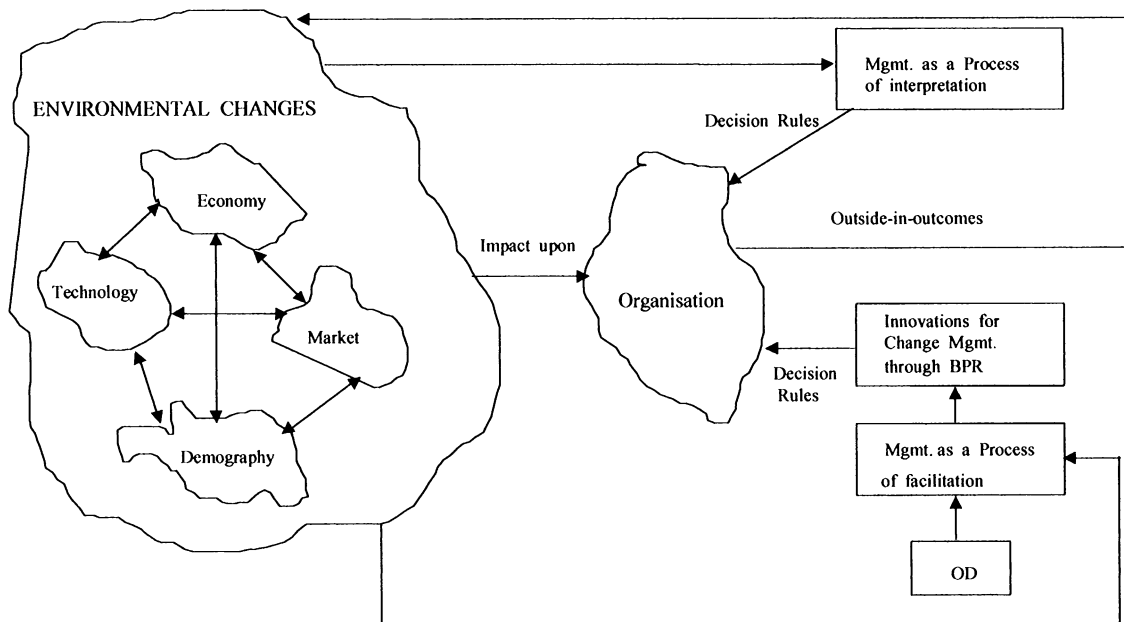


Fig. 1. A model for BPR implementation.

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