Business Process Reengineering

Checklist Description
This checklist explores the concept of business process reengineering.

Definition
Business process reengineering (BPR) was developed in the early 1990s and refers to a management technique that companies can use to become more efficient. BPR was most famously espoused by management consultants Michael Hammer and James A. Champy in a best-selling book, “Reengineering the Corporation”. The authors argued that companies should reinvent the way in which their work was to be accomplished. BPR requires companies to objectively review their business processes and take any necessary measures to maximize customer value and minimize the cost of delivering a product or service, usually through greater use of information technology. The reengineering focused on fundamental business processes as opposed to departments or organizational units.

Hammer and Champy argued that “It is no longer necessary or desirable for companies to organize their work around Adam Smith’s division of labor” because task-oriented jobs were becoming obsolete. They recommended that post-industrial companies be “reengineered.” The BPR process required a leader with vision, information technologies, close consultation with suppliers to reduce inventories, and empowerment of employees so that decision-making “becomes part of the work.”

However, BPR was heavily criticized because it resulted in huge redundancies, and firms that undertook a process of BPR often reported disappointing results. Critics also argued that BPR dehumanized the workplace. Business process management, which seeks to continuously improve processes, has since replaced BPR as the major influence on managerial thinking.

Advantages
• BPR has proved successful in reinvigorating a wide range of companies, including Ford, Procter & Gamble, American Airlines and General Motors.
• By reviewing the entire business, companies may well be able to spot areas where they can improve efficiency.

Disadvantages
• BPR assumes that a company’s existing processes are the main drag on its performance and the main barrier to the company reaching its full growth potential. But this may not be the case.
• BPR has come under fire for its clinical focus on efficiency and technology and for ignoring the human element of an organization that is subjected to a reengineering initiative.
• BPR has been accused of underestimating the resistance to change that is likely to exist in an organization.

Action Checklist
• Compare the costs and benefits of BPR with those of other methods of improving your business, such as business process management.
• Try to determine whether your company needs the radical change demanded by BPR or whether there are other ways in which you could improve performance. This should involve a rigorous analysis of whether your firm is underperforming competitors, and if so, why this is the case.
Dos and Don’ts

Do

• Consider the potential impact on morale. Implementing BPR can lead to large layoffs that leave remaining staff insecure, overworked, and demotivated. This can adversely affect the efficiency of the business and customer service.
• Talk to other companies that have implemented BPR. Find out whether they regard BPR as a success. What benefits has it delivered and what costs have been incurred?

Don’t

• Don’t assume that BPR is a panacea for your company’s ills.
• Don’t forget that BPR dates back to the early 1990s. It may still have valid points, but new management theories have since been developed.

More Info

Books:


Articles:


Website:

• 12Manage page on business process reengineering: www.12manage.com/methods_bpr.html

See Also

Best Practice

• Reducing Costs and Improving Efficiency by Outsourcing and Selecting Suppliers
• Reducing Costs through Production and Supply Chain Management

Checklists

• Assessing Business Performance
• Understanding Key Performance Indicators

Finance Library

• Reengineering the Corporation: A Manifesto for Business Revolution

Information Sources

• Business Process Reengineering

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