

## Module 10. Formulation and Implementation of Strategy

### 10.4 Business Process Re-engineering (BPR)

#### Definition and Purpose

- **Business Process Re-engineering (BPR):** A radical redesign of business processes to achieve dramatic improvements in performance metrics like cost, quality, service, and speed.
- **Objective:** Implement turnaround strategies by fundamentally rethinking and radically redesigning business processes.

#### Reasons for Undertaking BPR

- **Necessity for Dramatic Improvements:**
  - Organisation in deep trouble with high failure rates and customer complaints.
- **Proactive Approach to Future Problems:**
  - Anticipating and preparing for dramatic changes in internal and external environments.
- **Achieving Better Competitive Position:**
  - Enhancing the organisation's current position through reengineering.

#### Types of Firms/Organizations for BPR Application

- Manufacturing Firms
- Service Providers
- Healthcare Organizations
- Financial Institutions
- Government Agencies

#### Definitions in Re-engineering & Process

- **Re-engineering:** Fundamental rethinking and radical redesign of business processes to achieve dramatic improvements.
- **Process:** A series of steps or activities that transform inputs into outputs to achieve a specific goal.

## Principles of BPR

- **Focus on Outcomes:** Design work processes to achieve desired outcomes.
- **Customer-centric:** Prioritize customer needs and expectations.
- **Organize Around Processes:** Structure work around end-to-end processes.
- **Empower Employees:** Delegate decision-making to front-line employees.
- **Integrate Information Processing:** Combine data handling into the actual work.

## The 3R's of Re-engineering

- **Rethink:** Fundamental rethinking of existing processes.
- **Redesign:** Radical redesign of business processes.
- **Rebuild:** Reconstruct processes to improve performance metrics.

## Key Characteristics of BPR

- **Combining Jobs:** Merging several jobs into one.
- **Worker Empowerment:** Allowing workers to make decisions.
- **Natural Order of Processes:** Performing steps in a logical sequence.
- **Multiple Process Versions:** Designing processes to handle different situations.
- **Optimal Process Location:** Performing processes where it makes the most sense.
- **Economic Checks and Controls:** Reducing unnecessary checks and controls.
- **Minimizing Reconciliation:** Reducing the need for reconciling different process outcomes.
- **Single Point of Contact:** Appointing a case manager for interface between processes.
- **Balancing Centralization and Decentralization:** Using shared databases for coordinated yet decentralized decisions.

## Case Study: IBM Credit

- **Old System:**
  - Five stages involving credit request logging, credit checking, loan covenant modification, interest rate determination, and quote letter preparation.
  - Average processing time: 6 days.

- **New System:**
  - Replaced specialists with generalists handling all five stages.
  - Reduced processing time to 90 minutes for standard requests.
- **Results:**
  - Process time reduced from 6 days to 4 hours.
  - Slight reduction in total employees.
  - Significant increase in deal processing.

### Concerns in BPR

- **Complexity of Business Processes:** Understanding and mapping complex processes is challenging.
- **Risk of Destroying Capabilities:** Starting with a 'clean sheet' can eliminate valuable organizational capabilities.

### Detailed Explanation of BPR

- **Definition and Importance:**
  - BPR is a radical redesign of business processes to achieve dramatic improvements in critical measures such as cost, quality, service, and speed.
  - It is necessary for organizations facing high failure rates, customer complaints, or anticipating future challenges.
- **Reasons for Undertaking BPR:**
  - Need for dramatic improvements.
  - Proactive preparation for future problems.
  - Enhancing competitive position.

### Conclusion

- BPR can lead to significant improvements in efficiency, quality, and speed.
- Important to understand and carefully redesign processes to avoid potential risks and issues

## MCQs -Business Process Re-engineering (BPR)

- 1. What is Business Process Re-engineering (BPR)?**
  - A. A slight modification of existing processes
  - B. A radical redesign of business processes to achieve dramatic improvements
  - C. An increase in the number of checks and controls
  - D. A method to decentralize decision-making
- 2. What is the main objective of BPR?**
  - A. To maintain existing processes
  - B. To implement turnaround strategies
  - C. To increase the complexity of processes
  - D. To centralize decision-making
- 3. Which of the following is NOT a reason for undertaking BPR?**
  - A. Necessity for dramatic improvements
  - B. Anticipating future problems
  - C. Enhancing the current position
  - D. Maintaining the status quo
- 4. Combining several jobs into one is a characteristic of which management tool?**
  - A. Total Quality Management
  - B. Six Sigma
  - C. Business Process Re-engineering
  - D. Lean Management
- 5. What does worker empowerment in BPR refer to?**
  - A. Allowing workers to make decisions
  - B. Assigning more tasks to workers
  - C. Increasing the number of supervisors
  - D. Reducing workers' responsibilities
- 6. Performing the steps of a process in a logical sequence is known as:**
  - A. Worker Empowerment
  - B. Combining Jobs
  - C. Natural Order of Processes
  - D. Multiple Process Versions
- 7. Designing processes to handle different situations refers to:**
  - A. Optimal Process Location
  - B. Multiple Process Versions
  - C. Economic Checks and Controls
  - D. Single Point of Contact
- 8. What does the term 'Optimal Process Location' mean in BPR?**
  - A. Performing processes in random order
  - B. Performing processes where it makes the most sense
  - C. Centralizing all processes
  - D. Decentralizing all processes

9. **Reducing unnecessary checks and controls is a characteristic of which management approach?**
- A. Lean Management
  - B. Six Sigma
  - C. Business Process Re-engineering
  - D. Total Quality Management
10. **What is meant by minimizing reconciliation in BPR?**
- A. Increasing the number of reconciliations
  - B. Reducing the need for reconciling different process outcomes
  - C. Centralizing all reconciliation processes
  - D. Decentralizing all reconciliation processes
11. **Appointing a case manager to provide a single point of contact is a characteristic of:**
- A. Lean Management
  - B. Total Quality Management
  - C. Business Process Re-engineering
  - D. Six Sigma
12. **Using shared databases for coordinated yet decentralized decisions refers to:**
- A. Centralization
  - B. Balancing Centralization and Decentralization
  - C. Decentralization
  - D. Multiple Process Versions
13. **In the IBM Credit case study, how many stages were involved in the old system?**
- A. Three
  - B. Four
  - C. Five
  - D. Six
14. **How long did the old system take on average to process a credit request at IBM Credit?**
- A. 90 minutes
  - B. Four hours
  - C. Six days
  - D. One day
15. **What was a key change made in the IBM Credit case study?**
- A. Replacing generalists with specialists
  - B. Replacing specialists with generalists
  - C. Increasing the number of stages
  - D. Centralizing all processes
16. **What was the result of the new system at IBM Credit in terms of processing time?**
- A. 90 minutes
  - B. Four days
  - C. Six days

- D. One day
17. **What was a major realization from BPR regarding business processes?**
- A. Business processes are simple
  - B. Business processes are complex
  - C. Business processes are unnecessary
  - D. Business processes should not change
18. **What is a risk of starting with a 'clean sheet' in BPR?**
- A. Maintaining existing capabilities
  - B. Destroying valuable organizational capabilities
  - C. Reducing process efficiency
  - D. Increasing the number of processes
19. **Which of the following is NOT a benefit achieved through BPR according to the IBM Credit case study?**
- A. Reduced processing time
  - B. Increase in the number of employees
  - C. Significant increase in deal processing
  - D. Reduction in total employees
20. **Why is it important to understand and map complex processes before redesigning them in BPR?**
- A. To increase the number of steps
  - B. To ensure effective redesign
  - C. To centralize decision-making
  - D. To reduce the number of employees

**Questions asked in the Previous Exams from the Chapter Business Process Re-engineering (BPR)**

- 1) What are the various types of firms / organisations for which BRP Can be Applied (or)
- 2) Definition of the term “Re-engineering” and “Process” in business process re-engineering
- 3) Principles of BPR
- 4) What are the 3R’s of Re-engineering?
- 5) List basic characteristics of BRP
- 6) What do you understand by business process Re-engineering? What are the important reasons that lead ad organisation to undertake re-engineering?