

Embracing change brings equal amount of pitfalls and benefits

Business Process Reengineering or Enterprise Resource Planning — what comes first?

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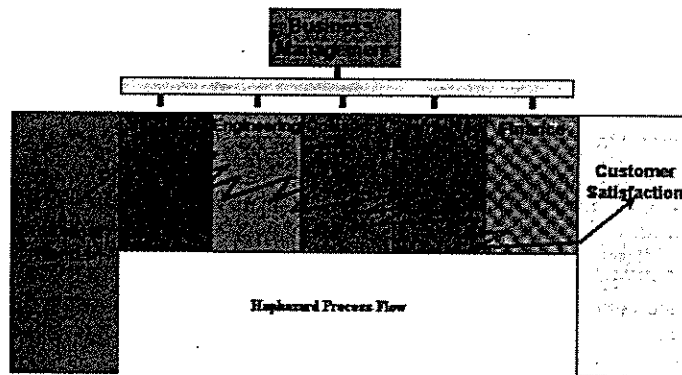
Today's forces of change — customers, competition and change itself — are forcing businesses to continuously improve and innovate in terms of speed, flexibility, quality, service, cost and so on. The pace of improvement has to match, if not exceed the forces of change.

Initiatives such as Business Process Reengineering (BPR) and Enterprise Resource Planning (ERP) promised radical improvements in relatively short periods of time. Both received a lot of attention and investment, provided huge benefits, but not without pain, disruption and some failures. As part of the change programme, organisations need to take a critical look at their core business processes since processes are at the heart of every enterprise. It is processes through which companies create value for their customers. Processes are central to both BPR and ERP.

Critical question

The critical question facing organisations is what to do first — should processes be reengineered first and then improved processes be automated or selected from the "menu" of supposedly world-class best practices offered by the ERP packages; should BPR be avoided altogether; or should processes be reengineered after implementing ERP. In search of the right answer to this critical question, my colleague Dr. Mohamed and me visited some of the companies implementing ERP, heard their experiences and advice, interacted with Janak Mehta and Dr. Mohamed Zairi, leading authorities on the subject, met IT experts from SAP, Oracle and other IT solutions providers during the recent GITEX exhibition, read research findings of Dr. Zairi and Abdullah Al Mudimigh of the European

Figure 1 : Haphazard Process Flow Between Functions



Centre for TQM, UK, revisited my own experience of reengineering business processes. The following are some of the key findings with organisations planning to implement BPR and/or ERP.

Significance of processes

Though business processes are central to the organisation and create value for customers, few people understand how their work relates to the overall process in which they operate/participate. Processes are invisible and essentially unmanaged.

In traditional organisations, processes are 'orphans' and fragmented across many organisational units. Many companies are still primitive in the ways they manage their processes. The informal and haphazard management of processes (see illustration above) has a number of undesirable consequences such as:

- Customers receive inconsistent and often inadequate services, even to the extent of sometimes compromising the company's image;
- Managers continually struggle to manage the 'horizontal' interactions between people in different parts of the company;
- High cost of poor quality;
- Installing new computer applications such as e-commerce or ERP is often extremely

difficult — not primarily because of the technical problems but because of the organisational ones. The need for having efficient and effective processes and their management cannot be undermined.

Successes and failures

Processes, organisation, structure and information technology are the key components of BPR. ERP combines business processes and IT into one integrated software. It automates business processes across the enterprise and provides an organisation with a well-designed and managed information system.

Michael Hammer and James Champy's 'Reengineering the Corporation' sold more than 1.7 million copies and was translated into 19 languages. Seventy five to eighty per cent of America's largest companies began reengineering. Companies such as IBM, Texas Instruments, American Express, Johnson & Johnson, Chrysler, Ford, Shell and several others have achieved major reengineering successes. Yet various research studies by leading management consulting companies such as Forrester Inc. etc. have revealed that 60 to 70 per cent of BPR efforts have either failed or have not achieved the expected benefits. Similarly for ERP, according to AMR Research, total revenue

in the ERP software market in 1999 was \$18.3 billion, and is expected to reach \$66.6 billion by 2003. Many organisations have successfully implemented ERP systems and have reported huge benefits.

Yet research studies by Dr Mohamed Zairi and Abdullah Al Mudimigh of the European Centre for TQM, UK, estimate that at least 90 per cent of ERP implementations end up late or over budget and several failure stories have been cited.

The failure in some cases is due to a variety of reasons such as lack of strong executive leadership, focus on processes, poor planning, inadequate communication, lack of employee involvement and management perseverance etc.

Despite the pain and challenges, successes and failures, organisations continue to commit huge investments, time and effort to implement ERP and BPR and give it a sincere try.

Inseparable twins

Michael Hammer in his path-breaking article "Reengineering work: don't automate, obliterate" published in the *Harvard Business Review*, defined BPR as "use of the power of modern information technology to radically redesign business processes in order to achieve dramatic improvements in their performance". For BPR to succeed or achieve the intended benefits, information technology has a critical role to play as the key enabler of business processes.

Organisations have the following options:

- reengineer business processes before implementing ERP.
- directly implement ERP and avoid reengineering.

In the first option of reengineering business processes, before implementing ERP, the organisation needs to, analyse current processes, identify non-value adding activities, redesign the process to create value for the customer and