

# ***Business Process Reengineering***

## ***Class Session 3 – Fall 1385***

***Reengineering the Corporation***  
***Hammer/Champy Chapters 5-9***

- o Process Documentation***
- o Mission-Vision-Case for Action***
- o Benchmarking***
- o Success Cases***

## *Primary Processes*

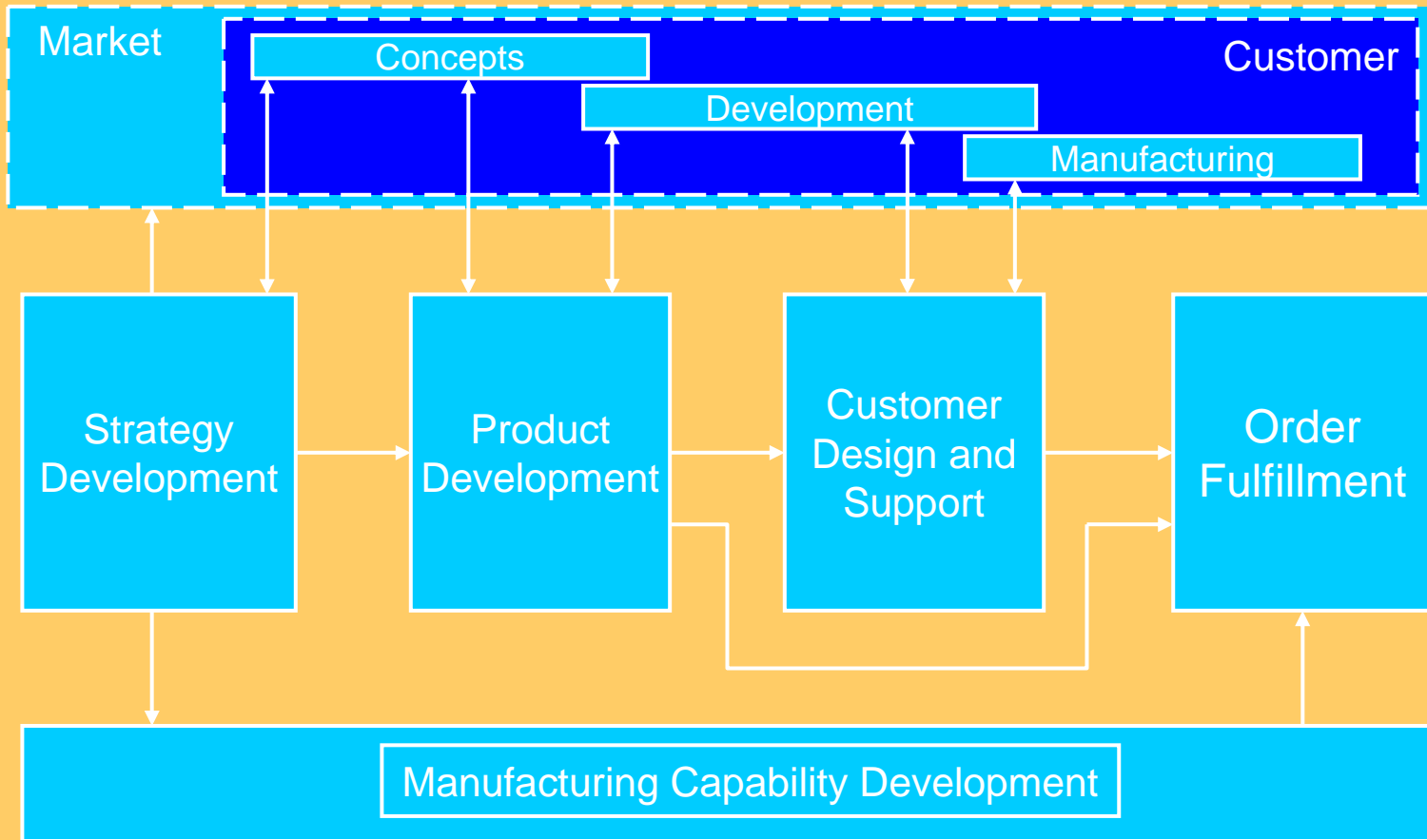
- **Product Development**
  - Product Research
  - Product Engineering and Design
  - Process Engineering and Design
- **Obtaining Customer Commitment**
  - Market Development
  - Marketing and Sales
  - Tendering
- **Order Fulfillment**
  - Procurement & Inbound Logistics
  - Production Planning and Control
  - Manufacturing and Assembly
  - Distribution & Inbound Logistics
  - Order Processing
- **Customer Service**
  - After Sales Service
  - Product Take Back

## *Secondary Processes*

- **Support**
  - Financial Management
  - Human Resource Management
  - Information Management
  - Maintenance
  - Internal Control of Health, Environment, and Safety
- **Evolution**
  - Continuous Business Process Improvement / Reengineering
  - Product Research
  - Production Technology Research
  - Human Resource Development
  - Supplier Base Development
  - Development of External Relations
  - Strategic Planning

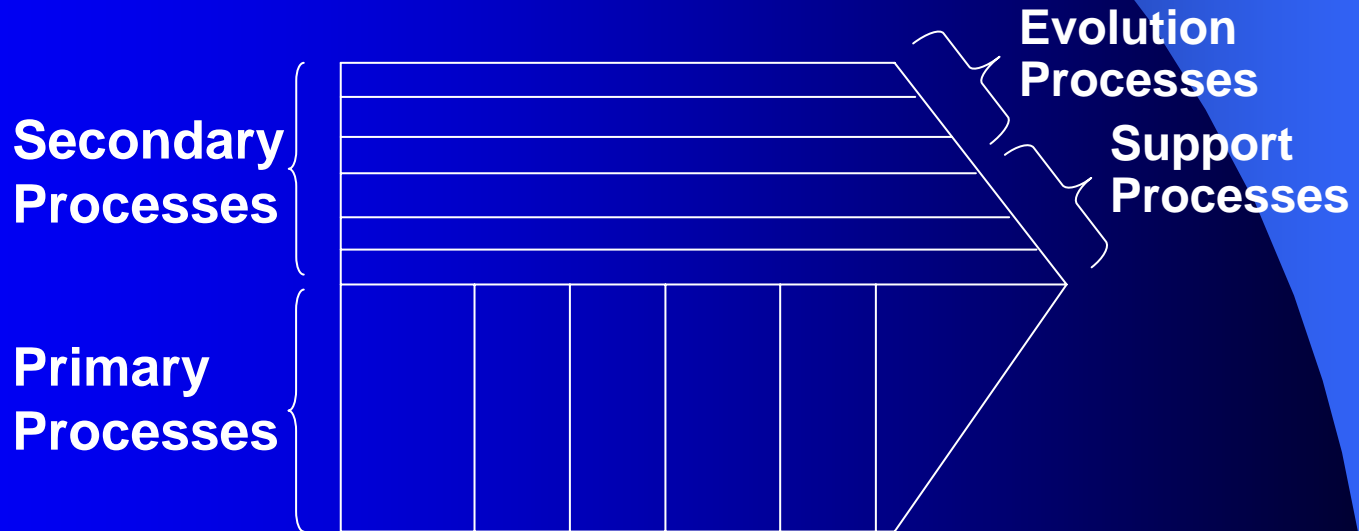
# Business Process Map

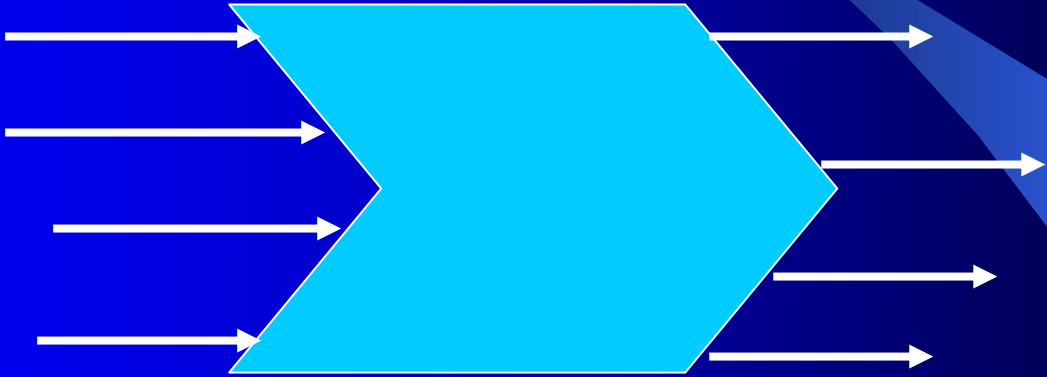
## Case of TI Semiconductor



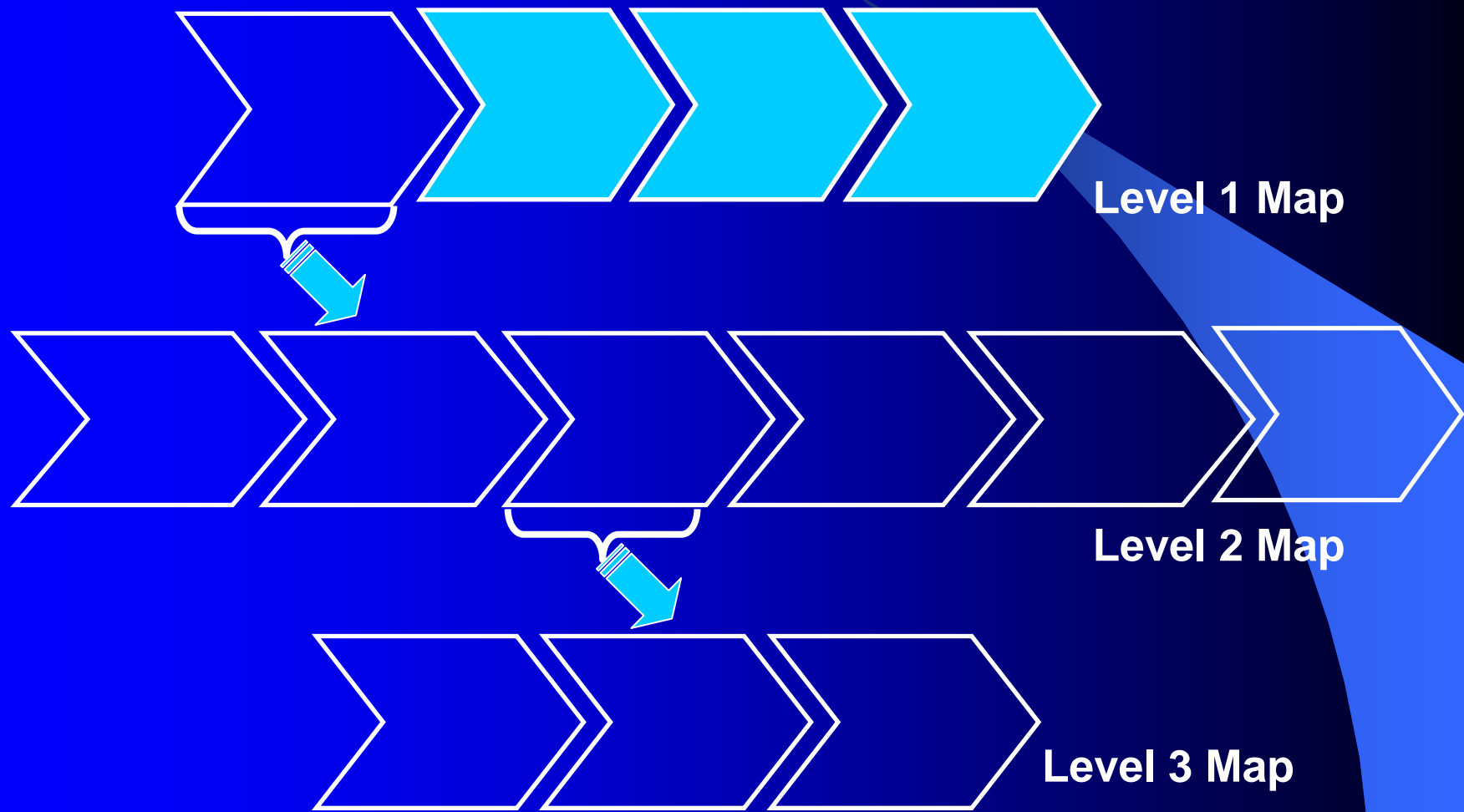
# Level 0 View of Entire Organization

- Primary – Direct & Immediate to Customer
- Support – Assures Primary Processes





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# The Mission Statement

- Why does this business exist? (purpose)
- Why will customers buy this product/service?
- Short/memorable/clear/communicate focus
- Balance needs of customers and company
- Not about money! Passion & commitment
- Substance/staying power/independence
- Grounding to see through rough times

# The Vision Statement

- How do you visualize your business?
- Your capture of the passion of the idea!
- Expansive, idealistic, your way (vision)
- Stimulate thinking, communicate passion
- Paint graphic picture of business you want
- Fun to read, emotional/sensory reactions
- What if, why not? Inviting others' ideas!
- Free flow, out of the box, your dream!



# Case for Action

## Example: Pharmaceutical Company

We are disappointed with the length of time we require to ....  
Our leading competitors achieve significantly shorter cycles ...  
We have strong competitive and economic incentives to ...  
Each extra week costs us \$1 million in annual pretax profit ...

- *Business Context*
- *Business Problem*
- *Marketplace Demands*
- *Diagnostics*
- *Costs of Inaction*

**Benchmarking is the art of opening your mind to what has made other organizations successful combined with the ability to translate creatively insights into successful implementation of results.**

# **Benchmarking**

**If we don't change directions, we might end up where we are headed**

(Chinese proverb)

**Dantotsu, striving to the best of the best**

(Japanese method)

- \* Consistently researching new ideas & practices**
- \* Search for best practices/superior performance**
- \* Learn from other companies, even competitors**



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# Benchmarking

- **Compare to others / best in class**
- **Set ambitious / realistic targets**
- **Develop “it’s possible”, “let’s do it” culture**
- **Find Relevant practice for your organization**
- **Learn from Best Practice organizations**
- **Better prioritize and allocate resources**
- **Continue Performance improvements**

# Key Reasons

## for Benchmarking

- **Defining Customer Requirements**
- **Establishing Effective Goals and Objectives**
- **Developing true measures of productivity**
- **Becoming competitive**
- **Industry best practices**

Without Benchmarking

With Benchmarking

# Benchmarking

## General Rules

**Numbers in a vacuum are dangerous!**

- “Industrial Tourism” is misleading!
- What without How & Why can do harm
- Measure what’s needed, not what’s easy
- Adapt – not copy - & customize
- Accept you’re not always the best!

**Significant Performance Gaps**

– Factor analysis - Reengineering



# Benchmarking

## Process Steps

### ● Planning

- Identify what is to be benchmarked
- Identify comparative companies
- Determine data collection methods and collect data

### ● Analysis

- Determine current performance gaps
- Project future requirement levels

### ● Integration

- Communicate Benchmark findings and gain acceptance
- Establish functional goals

### ● Action

- Develop action plans
- Implement specific actions and monitor processes
- Recalibrate benchmarks

### ● Maturity

- Leadership Position Attained
- Practices fully integrated processes

# Benchmarking Program

- **Benchmarking Metrics**  
=> Benchmark Gap  
How much, Where, When
- **Benchmark Practices**  
=> How to close the gap  
Knowledge, Practices, Processes
- **Management Commitment**
- **Organization Communication**
- **Employee Participation**

# Example of Functional Benchmarking

<u>Company</u>	<u>Comparison</u>	<u>Partner</u>
NASA	Event Management	Disney
Southwest Airlines	Fast Changeover	Grand Prix
Ammunition Mfg.	Producing Smooth	Revlon
Rover	Distribution	Stone Quarry
Domino's Pizza Services	Rapid Deployment	Emergency
British Airways Airways	Cleaning	British

- **We're not copy cats**
- **We'll lose competitive advantage**
- **We're already the best**
- **We're too busy**
- **We're different**
- **We're too small**

## ***Performance Measurement***

You cannot manage . . .  
what you cannot measure

- **Hard vs. Soft Measures**
- **Financial vs. Non-financial**
  - **Result**
  - **Diagnostic**
  - **competence**

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# *IBM Reengineering Experience*

## **Introduction**

IBM: International Business Machines Corporation.

Placed in: Armonk, New York.

Has got the first place in manufacturing mainframes.

Primary force behind the proliferation of the PC's.

## **Problems show up:**

Serious competitors in PC market.

## **Primary Solution:**

Breaking up IBM into smaller units.

# Reengineering brought by Gerstner:

- He was an outsider.
- He was a customer of IBM.

As a result:

- He had a new perspective.
- He knew customers' needs.

## He focused on:

- Near term company operations.
  - reducing costs and cycle times.
  - increasing customer satisfaction.
- Emphasizing strategy.
  - becoming one IBM.

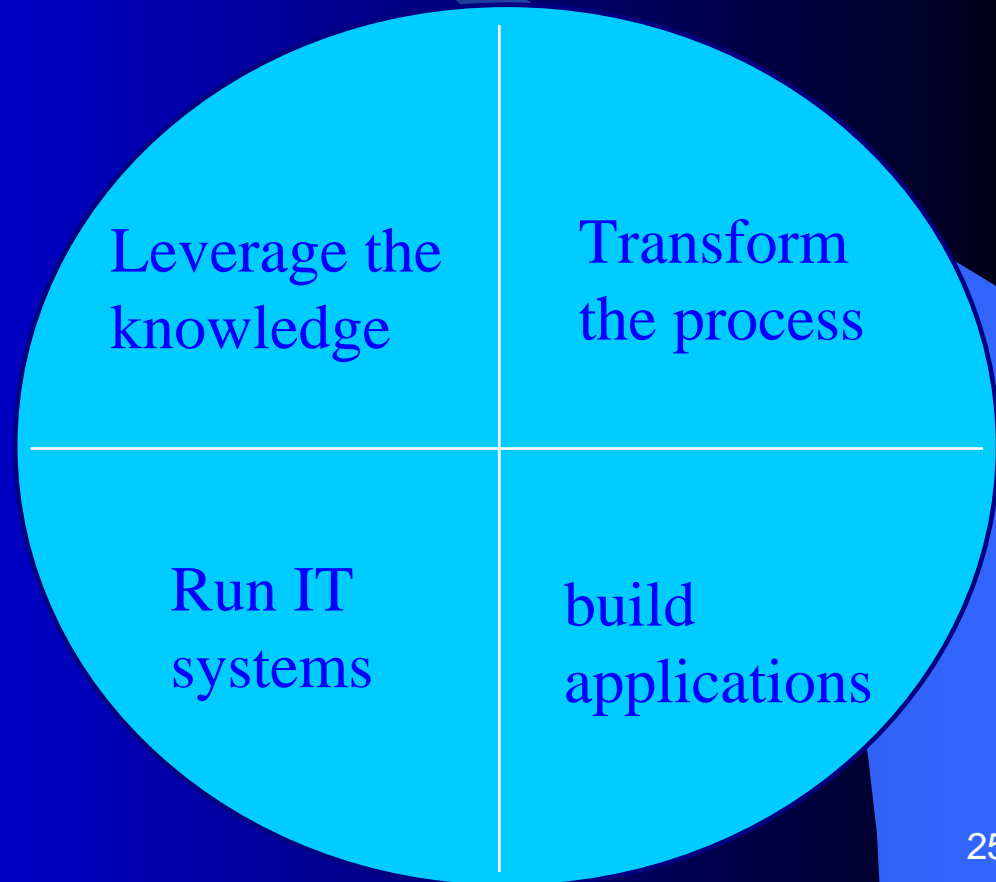
## *His initiatives:*

- Assigning a senior executive as a leader of each reengineering effort.
- Establishing “Dear Colleague” letters.
- Checking the results of each initiative quarterly.



# *Reengineering cycle*

- Transform the process.
- Build applications.
- Run IT systems to support the new process.
- Leverage the knowledge from these efforts to transform the processes again.



## **keys to IBM's success:**

- Define core business process
- Assigning each process to one of the senior executives.
- Team working

## **Transformation to an e-business:**

- Companies above the e-line have already linked their processes and IT.
- Getting the promised benefits from the initiatives smoothens the way.
- Decision making is time consuming.
- There's not "ONE" right answer.

# Personal business commitments:

- A key part of human resource process.
- Consistent approach to setting objectives, evaluating and getting paid.
- Payments based on unit performance.
- We measure this performance with:
  - Business results.
  - Process metrics.

## Variable Pay:

- An individual's "variable pay" is calculated based on his/her individual performance within the overall performance of their group.
- IBM is giving them a direct stake in its success.

## **Chairman's Award:**

This award is given to one or two teams, based on:

- Demonstrating excellence in customer relations.
- Improving business operations.

In 1999, this reward went to procurement process.

## **Procurement Process Award:**

- Reducing Purchase order processing time.
- Reducing the time it takes to get a contract.
- Internal satisfaction.
- Decreasing the amount of “Maverick buying”.
- Reducing contract length to 6 pages.

## Reengineering includes:

- The process.
- IT systems which support it.
- Organizations that use it.
- Culture of the corporation.

## Reengineering results:

- The organization became flatter.
- Layoffs occurred.
- Moving to a collaborative environment.

# Keys To IBM's Success:

- Passionate embrace of reengineering.
- Reengineering leading by top executives.
- Defining a new vision: A company that would satisfy costumers' needs.
- Constant communication.
- Assigning responsibility for each process to a very senior executive.

## Lessons Learned:

- Reengineering has to be undertaken in a disciplined fashion.
- It is not managed as a stand-alone activity.
- It's NOT a smooth way.
- It's part of line management's responsibility.