

Paper Company

Reengineering Working Paper 2

Critical Success Factors

Hans Åbjörnsson

Paper Company

Kai A. Simon

Viktorina Institute

Email: kai@viktorina.org

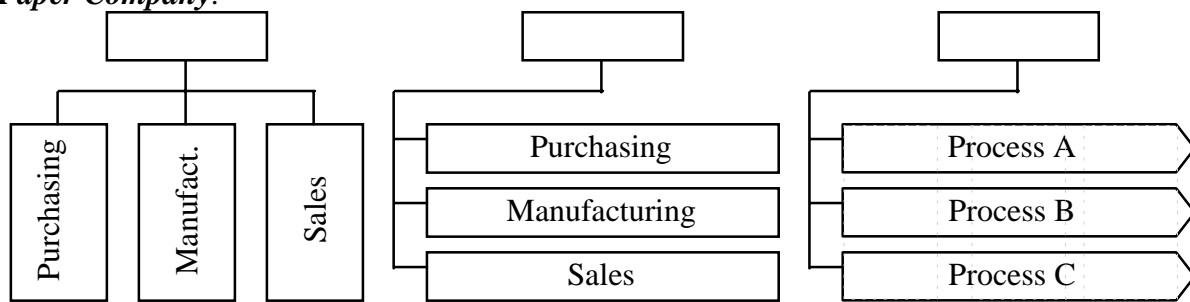
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BPR and Paper Company - Critical Success Factors

It should hardly be necessary to elaborate on the fact, that radical change, independent from its label, is a difficult exercise to undertake. As far as reengineering is concerned, estimations show a failure rate of 50-80%. Even though this figure may vary, depending on the definitions of reengineering and failure, the risk of unsuccessfulness should not be neglected. Being unaware of potential traps and pitfalls is tantamount to change management malpractice.

Functional scope

Reengineering takes a clear starting point from a business process perspective, i.e. turning functions by 90° and terming them processes is an inappropriate launchpad (see figure below). Improved functional efficiency can be considered as an important objective to strive for in order to reduce costs (financial consolidation), however, it is not consistent with the intentions of BPR. Functional redesign should instead be used as part of the performance improvement efforts that previously have been launched as part of the quality management programme at *Paper Company*.



Functional organization, “turned“ functions, and processes

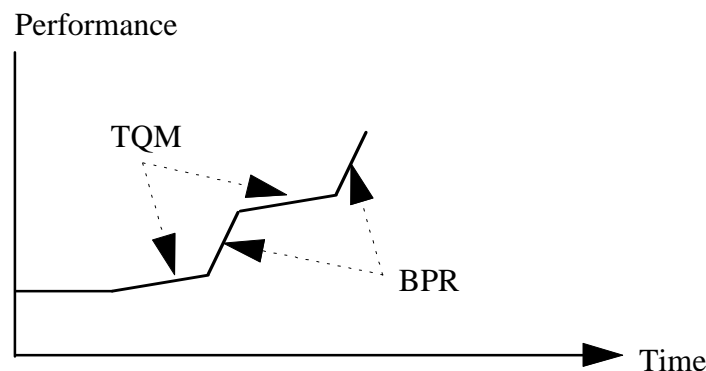
Taking a process approach does not necessarily include the disregarding of functional competencies, and is not contradictory to functional processes, but it must allow a conception of business processes as being cross-functional, i.e. that the organization of the firm in business units and departments is challenged. For *Paper Company* Austria, this means that the domain of consideration must be expanded from the local office to include the value-adding chains of all involved parts, i.e. that the entire industry value system can (but not necessarily must) be conceptually considered as a single process. This approach is generally known under the term “business network redesign“, and is conceptually located between BPR and “business scope redefinition“.

Conceptual misunderstandings

When embarking on a reengineering effort, there must be clear statement about the intentional achievements, and the conceptual and methodological means. The term reengineering itself has been used widely for change projects aiming at other objectives, such as downsizing (staff reduction), quality improvement (TQM), functional redesign, and cycle-time reduction. All of these approaches may be legitimate, but should be labeled accordingly. This misperception has often resulted in considerable change resistance when reengineering projects subsequently were introduced to the personnel.

A usable framework for defining different levels of change has been provided by researchers from Sloan, the Business School at the MIT. They have identified five levels of change, with increasing degrees of organizational transformation and potential benefits. Naturally, even the potential failure risk increases with the magnitude of change.

Since Total Quality Management has been widely used within SCA, we consider it appropriate to briefly outline the major differences between BPR and TQM. The below chart, which is widely used, shows the normal sequence of TQM and BPR initiatives, assuming that the firm already has a TQM program in operation.



TQM and BPR - Sequence and magnitude of change

Paper Company has been employing Total Quality Management for a considerable time now, a circumstance that eventually may have created a perception of change that follows the guidelines as they are used in TQM initiatives. The table below points out the most significant conceptual differences between BPR and TQM. Even though this generalized description may not hold true for all projects and methodological approaches¹, it still provides a useful overview.

¹ Especially the “white sheet“ approach has been criticized. The critics claim, that even in BPR projects the existing processes cannot be disregarded, and must therefore at least be mapped and briefly analyzed. Even the required time, short for TQM and long for BPR is discussable. In this concern, we set a short TQM timeframe for individual measures. Achieving significant improvements in multiple areas and changing corporate culture normally is a long-term process.

Factor	TQM	BPR
Level of change	Incremental	Radical
Scope of change	Cultural	Structural, cultural
Starting point	Existing process	White sheet, understanding of existing processes
Frequency of change	One-time/continuous	One-time
Time required	Short for individual measures, long for overall improvement	Striving for instant results
Participation	Bottom-up	Top-down
Scope	Narrow, functional	Broad, cross-functional
Risk	Moderate	High
Primary enabler	Statistical control	Information technology

Commitment

Reengineering efforts can by no means be exercised without a company-wide commitment to the goals to be achieved. However, top-management sponsorship is imperative for success. Lack of commitment actually is one of the top candidates for the reasons for failure hall-of-fame. Research and experience indicates, that there is a tendency to kick off a reengineering effort, and then returning to “business as usual“, while waiting for the benefits to collect.

The previous shows, that the issue of leadership and participation is handled in a different way in TQM and BPR efforts. While TQM builds on the change of cultural aspects on all organizational levels, BPR is a typical top-down exercise. Despite this difference, it is still necessary to establish a common understanding of the measure to be taken, an issue that is often neglected, thus resulting in increased resistance to change.

At *Paper Company*, top-management shows a well-established awareness of the need to change the company in order to improve and sustain competitiveness. Nevertheless, it is not clear whether this awareness has been communicated throughout the company. The assignment of facilitators can be an appropriate measure for building a common platform on management level, however, the crucial point of company wide commitment does not appear to be addressed to the necessary extent.

Information technology

While information technology is considered as the major enabler of BPR, many firms have drawn the conclusion, that their current information systems (IS) fall short of the requirements being imposed by the process based structure to be implemented. In addition, the often functionally oriented information systems do not satisfy the needs for supporting the

performance of cross-functional, integrated tasks. The information systems currently operational at SCA HP suffer from some significant pathologies in this concern. However, neither of these aspects can be addressed locally, but require a central effort. The most significant pathologies are

- time limited accessibility (order handling, warehousing),
- functional orientation,
- no common interface.

Principally, several options are available for improving IS performance, including client/server systems with replicated databases, multi layer systems, or data warehousing. Since we are unfamiliar with the IS-architecture of Paper Company, these options will not be developed in detail here.

To be continued ...