CHAPTER 2
DEFINING BUSINESS PROCESS REENGINEERING

2.1. INTRODUCTION

As discussed in chapter one, “business process reengineering” was one of the buzz-words of the 1990’s. Although the term “business process reengineering” is familiar to most businessmen, almost everyone using this phrase is using it in a different context. As managers and consultants have stretched the term to cover virtually all forms of business transformations, it is important to define the concept “business process reengineering”.

2.2. HISTORY AND DEVELOPMENT OF BUSINESS PROCESS REENGINEERING

The beginning of business process reengineering goes back at least a decade, when western companies realised why the Japanese used the concept of processes together with “Just-in-time” principles for manufacturing. By applying these principles, they introduced a product oriented factory layout. This involved partitioning of activities into separate cells organised by type of machine instead of the traditional functional departments. This had remarkable benefits for manufacturing within Japanese companies. These benefits included improving coordination of the rate of workflow and reducing work-in-progress. As a result, lead times had been reduced dramatically and the customer received a much better service. The concept of cells instead of departments led to multi-skilled work forces, who were responsible for their own quality inspections. Due to this fact, the Japanese companies moved away from centralised control which was a feature of hierarchical organisations, and created
semiautonomous cells with substantial decision making power to direct and control their own activities (Bond, 1994:13-18).

Together with just-in-time principles, Japanese companies introduced “Quality Circles”. This was not only an introduction to Total Quality Control, but also to the principles of working in teams to streamline processes and reduce costs. While the tendency of companies in the United States (hereafter referred to as US) was to check product quality at the final inspection, Japanese companies performed quality control as part of the total production process. US companies used their quality control departments to identify reject products at the end of the production process. However, as these products were only identified at the end of the production process, related costs and customer dissatisfaction were unacceptably high. Japanese companies on the other hand did not use a quality control department, but included quality controllers as part of the project teams. They identified reject products at a much earlier stage. Costs were reduced and better yields, greater efficiency and higher productivity were some of the results (Ross & Ross, 1982:17,18).

As a result of the success achieved by Japanese manufacturing companies, organisations elsewhere started to show an interest in these innovative techniques.

In the later half of the 1980s and early 1990s companies in the United States of America introduced business process reengineering programmes to improve performance. European companies soon followed.

These companies were so successful that business process reengineering became a vast global business movement.
2.3. THE DIFFERENCE BETWEEN BUSINESS REENGINEERING AND BUSINESS PROCESS REENGINEERING

2.3.1. Introduction

Often, one is confronted with the difference between business reengineering and business process reengineering. As the terms may refer to different issues, it is important to define each at the beginning of this study.

2.3.2. Business reengineering

Von Bormann explains the difference between business reengineering and business process reengineering. According to him, business process reengineering is certainly part of business reengineering and should never be seen in isolation. Business process reengineering predominantly has a cost focus and looks at removing unnecessary steps from processes, while business reengineering is much more than that. In the case of business reengineering, everything is rethought, including capital structure, tax base, properties and assets, marketing mix, pricing and profit margins. Business reengineering looks at improving corporate values, strategies and culture, as well as revenue and cost (Von Bormann, 1994:15).

Michael Ballé describes business reengineering as continuous improvement. Continuous improvement is only possible if a firm is already process oriented. That means that process reengineering will be performed at certain points in time, while business reengineering will be performed continuously. Ballé further defines business reengineering as the process “…to do away with the old dysfunctional,
fragmented process and specialised structures and to re-design corporations according to better adapted rules” (Ballé, 1995:27).

Von Bormann specifies the objectives of business reengineering as follows:

“to re-design the cumbersome, top-heavy bureaucratic approach to company operations. Surviving in the rapidly shifting markets means being able to move on your feet, with streamlined business units, appropriate technology, customised marketing approaches, flat management structures and outsourcing of non-value added services” (Von Bormann, 1994:12–18).

Barry G. Levine summarises business reengineering as follows:

“Simply put, the term represents a bold approach to improving quality, lowering costs and increasing profitability” (Levine, 1994:39–40).

This includes all areas in the business, from strategy to individual tasks, and should be an ongoing process, as indicated by Michael Ballé (Ballé, 1995:27).

Ivar Jacobson does not use the term “business reengineering”. He uses the term business engineering instead of business reengineering. He defines business engineering as the total of business reengineering (what other authors refer to as business process reengineering) and business improvement (what other authors refer to as continuous improvement) (Jacobson, 1995:13–15).

Rohit Talware explains the concept of business reengineering as a strategy-driven, top-down reappraisal and redesign of the total business. As the concept is strategy-driven, it has to be initiated and supported by the Chief Executive. Commitment and active participation of the entire board of directors are necessary (Talwar, 1993:24).
Business reengineering forces management to ask the following questions:

- Who are we? What are our mission and values?
- On which markets, products and services should we focus?
- How will we respond to different market scenarios?
- What are the immediate priorities?

2.3.3. Business process reengineering

Although business process reengineering is part of business reengineering, it is probably the one aspect that was discussed endlessly during the 1990s. Many books and articles were written on business process reengineering, the advantages, disadvantages and how to reengineer. Although this topic was initially raised in the US in the late 1980's, many South African companies have not yet reengineered their processes and are still doing business according to departmental and task driven structures.

As defined by Von Bormann in paragraph 2.3.2., business process reengineering forms part of business reengineering, but predominantly has a cost focus and looks at removing unnecessary steps from processes (Von Bormann, 1994:15).

Armistead and Rowland, define business process reengineering as an approach to achieve radical improvements in performance by using resources in ways which maximise value added activities and minimise activities which only add costs (Armistead & Rowland, 1996:3,4).
McAdam quoted Mashiri and Zairi (1999) who defined business process reengineering as the significant improvement of business processes by addressing both business and employee change factors (McAdam, 2000).

Michael Hammer defines business process reengineering as a “radical re-design of business processes for dramatic improvement.” According to Hammer, the key word in the definition is not necessarily “radical” but rather “process” (Hammer, 1996:Foreword). This definition is also supported by Cross, Feather & Lynch (1994:4), who also place the focus on human creativity and innovation.

Vitiello quoted Clelland Johnson who defines business process reengineering as “…the fundamental analysis and radical re-design of business process to achieve dramatic improvements in performance.” It is not only the “…outsourcing of activities or revising organisation charts”, but it is also “…developing creative and innovative ways of doing business, managing the organisation’s human resources through these changes, and implementing the appropriate information technology to support the new environment” (Vitiello, n.d.:44–47).

Chang summarised the core elements of business process reengineering as changes in:

- Organisational structure;
- People and their jobs; and
- Technology.

These backbones of the process indicates that the organisational layers should be reduced, the functions and work groups realigned around the customer, the accountability driven by the front line, the job scope and ownership expanded and cross-functional teams built.
In addition, Chang also stresses the importance of technological retooling. Simply computerising the old methods of doing things will not necessarily eliminate performance deficiencies or drive radical improvements in process productivity and capability (Chang, 1996:10–12).

When defining *business process reengineering*, Dr. Chris Bond also indicated the importance of aligning information systems appropriately when re-designing processes. In order to remove unnecessary communication, processing and duplication of data, information technology should be updated to support the newly designed processes (Bond, 1994:13–18).

Fitzgerald refers to another very important factor that was indicated by John Kerr, partner with Arthur Andersen in Glasgow. The focus of changing the process should be delivering goods and services to the customer, as seen from that customer’s point of view. It is a complete change in orientation from the traditional methods. This is the starting point for business process reengineering and probably the most important step. All employees, from senior management to the lowest job grade should change their focus to be customer oriented (Fitzgerald, 1994:38–41).

Business process reengineering is not only restructuring the business where employees are retrenched and departments are closed down. The real solution according to Dr. Chris Bond is to rationalise the work, not the workers. Successful companies reduce costs by reducing useless layers of work rather than blindly cutting down on the workforce. Management should begin to strip away everything that is not adding value by scrutinising the workload and reducing to the essentials. As a consequence redundancies are removed, control is automated and the timeliness and accuracy of source information improved (Bond, 1994:13–18). It is specifically important in the
South African environment to distinguish between reconstructing and reengineering a business, as many companies only reduce the workforce without re-thinking the process to remove the non-value-added activities.

Marshall Romney describes *business process reengineering* as not just a new twist on an old idea or the latest “bee in someone’s bonnet” but as a radical, revolutionary and, in most organisations, requisite change. According to him, to achieve productivity breakthroughs, organisations must abandon outdated business procedures, create entirely new ones and combine the new work practices with technological improvements and significant changes in their organisational structure. This radical change is called business process reengineering and the intended result is a dramatic improvement in service, quality, speed and cost (Romney, 1995:24–29).

Jacobson uses business reengineering instead of business process reengineering. The reason why he left out the word “process” is due to the word “process” being a superfluous term. According to Jacobson:

> “in future, business reengineering will mean reengineering business processes, and nothing else. Reengineering can proceed for many years before the better part of a company’s processes have been fully redesigned. Thus, the work is divided into phases and each phase has a clearly defined objective” (Jacobson, 1995:13–15).

### 2.3.4. Summary

The most important difference between *business reengineering* and *business process reengineering* is to understand that business process reengineering is part
of business reengineering, but does not include all aspects thereof. Business reengineering includes improving of strategies, corporate values, processes, culture, etc. while business process reengineering refers mainly to the elimination of unnecessary steps from processes.

2.4. CONCLUSION

As the study will specifically refer to business process reengineering, it is important to clarify the definition before proceeding with the following chapters.

From the definitions in paragraph 2.3.3. the following key elements are identified as essential for business process reengineering:
- A radical change;
- Change in orientation;
- Re-design business processes;
- Change organisational structure;
- Technological Improvements; and
- The objective is the improvement of customer service and reduction of costs.

The definition for business process reengineering can be summarised according Du Plessis:

“Business process reengineering is the fundamental analysis and radical re-design of every process and activity pertaining to a business – business practices, management systems, job definitions, organisational structures and beliefs and behaviours. The goal is dramatic performance improvements to meet contemporary requirements – and IT is seen as a key enabler in this process” (Du Plessis, 1994:39–42).
This definition includes all six key elements of business process reengineering as identified by the different authors.

Chapter 3 will expand on the problems traditional companies experience and how these problems can be addressed by applying the key principles of business process reengineering, as defined in paragraph 2.4.

**BIBLIOGRAPHY**

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