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Success and Failure Factors of Business Process Reengineering

Arijit Bharadwaj¹ and Pooja Dowerah²

ABSTRACT

Business Process Reengineering (BPR) has come to represent an important strategy to achieve dramatic improvements in excellence for any organization through a basic overhaul or redesign of its business processes. Yet, such efforts to improve overall performance have shown an alarmingly high failure rate within multiple sectors and global locations worldwide. This paper focuses specifically on understanding critical success or failure determinants for BPR implementation within an organization. Using various conceptual frameworks along with relevant instances from global and Indian firms, this paper highlights aspects such as leadership commitment, cross-functional teams, strategic alignment, successful change management, as well as IT enablement as critical determinants for BPR implementation within any firm.

¹ Assistant Professor, Department of Commerce, Pandu College

² Assistant Professor, Pandu College

However, aspects such as unclear goals, bad communication skills, employee resistance to BPR implementations, a lack of training, insufficient information technology enablement, as well as integration have come to represent important determinants for BPR implementation failures. Furthermore, this paper has made use of a SWOT analysis to effectively elucidate critical determinants for BPR implementation within an organization.

Keywords: Business Process Reengineering (BPR), Organizational Transformation, Change Management, Process Innovation, Strategic Alignment

Introduction

In a highly competitive global scenario with continuous improvements in technology and increasing customer expectations from organizations, it has become imperative for organizations to transform their core processes in a dramatic manner to result in significantly better business outcomes. Radical changes in the overall business processes of an organization in the form of Business Process Reengineering (BPR), as proposed by Michael Hammer and James Champy, have provided organizations such as IBM Credit Corporation, Taco Bell, Mahindra & Mahindra, and State Bank of India with the potential for tremendous changes in overall business processes, yielding improved cost benefits, better customer service levels, faster time-to-market products and services, and greater flexibility in overall business processes. However, the success of BPR has been highly variable in its applications in numerous organizations in the context of the entire global economy, including TELECO, Ford Motor Company, Bank of India, ICICI Bank, amongst others. In the Indian context, numerous organizations have failed in their endeavors with BPR.

The high failure rate of BPR implementations clearly indicates that there is an urgent need for an in-depth examination of the factors of success and failure of BPR initiatives. In this regard, this specific study will focus on examining critical success factors and major factors of failure in BPR, along with an analysis of strengths, weaknesses, opportunities, and threats with regard to BPR initiatives. The overall idea of this paper is to create an

exhaustive and thorough knowledge regarding effective BPR management and the ways of avoiding failure, with the help of theoretical and practical organizational experiences.

Objectives of the chapter

1. To analyze the critical success factors influencing effective implementation of Business Process Reengineering.
2. To identify and examine the major causes of Business Process Reengineering failure.
3. To assess the strengths, weaknesses, opportunities, and threats (SWOT) associated with the implementation of Business Process Reengineering in organizations.

Major factors of BPR success

Business Process Reengineering (BPR) is a process of radical change in organizations that involves a complete overhaul of existing processes to achieve radical improvements in key areas such as cost, quality, service, and speed. Success in BPR requires a focus on complex enablers such as leadership, team, and technology, as evident in well-structured models developed by experts such as Michael Hammer and James Champy.

Major Success Factors in Business Process Reengineering Implementation :

1. **Leadership Commitment:-** Leadership must actively support BPR with unswerving vision, resource allocation, and removal of barriers. Without leadership support, efforts fail due to lack of cooperation; leaders articulate lofty visions, act as change agents, and link BPR to strategic plans such as competitiveness in a rapidly changing market.
2. **Cross-Functional Teams:-** Form teams consisting of representatives from different functions to encourage innovation and integrated thinking. These teams overcome functional barriers, tap into collective knowledge, and ensure that designs are feasible and integrated.
3. **Effective Change Management:-** Strategies such as communication, training, and incentives can counteract the fear of change and layoffs among employees. Cultural transformation towards agility and continuous improvement can build momentum, turning critics into supporters within the 1-3 year BPR cycle.

4. **Strong IT Enablement:**-IT should be used as a primary enabler for automation, integration, and decision support systems. Think ERP systems or AI-powered workflows. IT should be aligned with process objectives, not driven by them, magnifying the impact of process redesign by enabling real-time data flow.
5. **Resource Allocation:**-Ensure adequate budget, talent, and time without impacting current business operations. Phased pilot testing can help avoid risks, and external consultants can bring impartiality when in-house talent is lacking.
6. **Strategic Alignment:**-Each process undergoing reengineering should align with business strategy, customer, and market requirements. Lack of alignment results in short-term success but long-term obsolescence; periodic strategy reviews keep BPR aligned with business goals.
7. **Continuous Monitoring:**- After implementation, set up KPIs for monitoring process performance with feedback loops for continuous improvement. This helps avoid regression and instills a culture of excellence, ensuring long-term ROI benefits beyond the initial phase.

Companies which got success after implementing Business Process Reengineering:

I. At Global level:-

1. **IBM Credit Corporation:** IBM Credit Corporation streamlined its credit approval process, which used to take weeks because of the sequential process involving five steps. By optimizing the routine process and integrating IT systems, the company achieved the processing of credits in hours, allowing for faster deals and greater customer responsiveness.
2. **Taco Bell:**- In the 1980s, Taco Bell streamlined its restaurant operations by centralizing food preparation in off-site commissaries, making it easier for customers to receive services. This BPR initiative helped the company reduce the number of employees, improve quality control, and increase revenues from \$500 million to \$3 billion in the mid-1990s.

II. At National level:-

1. **Mahindra & Mahindra (M&M):-** In the mid-1990s, M&M identified inefficient plants with union problems and inefficiencies, which were addressed by BPR initiatives involving plant layout and productivity improvement. Management proved the success of BPR by working in shop floors during a strike; after the implementation, production increased substantially (e.g., 35 engines/day by 100 officers vs. 70 by 1,200 workers), improving overall manufacturing processes.
2. **State Bank of India (SBI):-** SBI implemented TCS' BaNCS core banking solution at its branches, the largest implementation in the world, which enabled the bank to operate centrally and access all products fully across the country. The critical success factors achieved were leadership visibility, training over 100,000+ employees, and business ownership, which resulted in 250% business growth per employee and customer retention.

Major Factors of BPR Failure

There are many cases of BPR failure in various organizations across the globe, and these include a lack of proper planning, poor change management, resistance by employees, a lack of commitment by senior management, and a misalignment of reengineered processes and organizational strategies. By analyzing these failures, one can gain important insights for future BPR projects and emphasize the need for proper communication, change management, technological readiness, and employee training.

Major failures in implementation of BPR

1. **Unspecified Goals and Lack of Employee Training:-** There are many cases of BPR failure because organizations fail to specify their goals and objectives or provide adequate training to employees. Without a proper understanding of the goals and objectives of the BPR process, employees fail to adjust to the new process. Lack of training also restricts employees from effectively executing new tasks.
2. **Lack of Communication with Employees:-** There is BPR failure when there is a lack of communication with employees regarding the impending changes. A lack of communication

between the organization and its employees leads to a sense of exclusion, confusion, and fear of the impending BPR change.

3. **Poor Understanding of the Digital Environment and Inadequate Planning:-** Those who underestimate the effects of digital transformation tend to make wrong decisions in BPR. Lack of understanding of new technology, market trends, and digital capabilities results in poorly designed processes that do not meet customer needs and market realities. Poor planning further worsens the chances of failure.
4. **Ineffective Change Management Affecting Service Quality:-** Poor change management can cause disruptions in the normal course of operations during BPR implementation. If the workforce is not led through the change process, the quality of services may deteriorate, leading to operational failures and customer dissatisfaction. Change management is critical to ensure continuity and service quality.
5. **Insufficient Stakeholder Engagement and Organizational Inertia:-** BPR projects fail if key stakeholders are not actively engaged in the process. Organizational inertia, or resistance to change because of organizational habits and culture, can hinder the implementation process. If the workforce is not properly engaged and motivated, they may resist changes in work processes, making reengineering initiatives unsuccessful.
6. **Employee Resistance Leading to Delays and Cost Overruns:-** Resistance from employees, especially when the change affects job security or their roles, can cause considerable delays in BPR projects. This resistance can lead to increased costs and, in the end, result in projects going beyond their budget.
7. **Poor System Integration and Inadequate Employee Training:-** BPR projects that involve extensive use of technology can fail if the new systems are not properly integrated with the existing processes. Employees may not be able to work effectively with new technologies if they are not properly trained.

Companies facing issues related to BPR failures (In Indian and Global context)-

I. Global BPR Failures

1. **TELECO (USA - 1990s)** : TELECO adopted BPR to improve competitiveness. However, the result was a failure due to improper planning and communication. Employees were not ready for the dramatic changes, and management did not communicate the goals and objectives of the changes properly. There was a lack of coordination and the use of process analysis tools, which led to confusion and inefficiency in the operations. The result was a waste of time, increased costs, and low employee morale. This clearly shows that change management and employee engagement in process changeovers are often overlooked, leading to the failure of BPR.
2. **Ford Motor Company (1990s)**: Ford Motor Company adopted BPR to improve manufacturing and administrative processes. However, the project met resistance from employees because they were not involved in the planning process and were not communicated with about the changes. There was a lack of training and proper communication, which led to inefficiency in operations and a delay in the adoption of new processes.

II. Indian BPR Failures

1. **Bank of India (Early 2000s)**: The Bank of India was planning to achieve core banking solutions using BPR. But because of the lack of infrastructure and resistance from employees, the project got delayed and went over budget. This example clearly shows the need for readiness assessment, resource allocation, and training of employees to attain BPR goals.
2. **ICICI Bank (Early 2000s)**: The ICICI Bank's plan to centralize data management processes was hindered by poor integration and a lack of training for employees. This example clearly shows that merely upgrading technology will not help attain success; proper planning, assistance, and training are required.

SWOT Analysis of Business Process Reengineering (BPR)

Strengths: It highlights a number of strong points: the high level of leadership commitment, which means clarity in vision and speed of decisions; a firm process analysis that enables the detection of anomalies; collaboration across functional levels for design breakthroughs; a continuous inclination toward effective change management practices for acceptance; robust IT enablement to heighten outcomes; sufficiency of resources and linkage to organizational objectives, which strengthens execution. Continuous performance monitoring and high levels of stakeholder engagement also reinforce BPR's effectiveness and its success rate of implementation.

Weakness: Internal weaknesses associated with BPR initiatives include unclear objectives, a lack of proper training among employees, and internal communication that may cause confusion and decreased productivity. Then there is limited digital awareness, weak planning capabilities, and ineffective change management-things that disturb operations and service quality. Low stakeholder involvement and organizational inertia delay progress. Resistance on the part of employees raises costs. Other factors like system integration at a low level, skill gaps, and strategic misalignment with organizational goals further lessen the potential benefits of BPR initiatives. This leads to underutilization of BPR, whereby limited performance improvements are achieved.

Opportunities: Effective business process reengineering presents opportunities to various organizations to achieve competitive advantage based on speed, quality, and efficiency. Business process reengineering involves digital transformation using technologies such as automation and AI, which improves informed decision-making. Business process reengineering involves customer-centric processes that promote customer service quality. Business process reengineering improves organizational flexibility and scalability in response to organizational conditions. Business process reengineering improves employee engagement and efficiency through skills management and role allocation. Finally, business process reengineering leads to data-driven process improvements through the use of real-time data and IT analytics.

Threats: There are various prominent issues which may pose a significant risk towards project success and resource efficiency, such as ambiguity or lack of goal setting, planning, and training. These may lead to a loss for the business, low morale among employees, and high employee turnover rates. Effective communication and change may also result in losing valuable and skilled employees for the business. Furthermore, businesses may also fall short in terms of competition because of a lack of understanding about the existing digital world, which may lead to losing business to agile competitors. Poor service quality may derive from customer dissatisfaction, disruptions in the provision of services resulting from business process redesigning projects, and rising costs, which may threaten the business project from a viable entity point of view. Furthermore, low digital readiness may lead to technological obsolescence for the business, culture backlash from implementing new digital ideas, and change fatigue, which may hinder successful transformation for the business in the future. Finally, business process redesigning may not match business strategy, which may lead to strategic drift for the business, affecting its success and performance.

Conclusion

Business Process Reengineering is a sudden approach allowing organizations to make quantum improvements in efficiency, quality, speed, and customer satisfaction by truly reimagining and redesigning core processes. Clearly, from the analyses of objectives, success factors, and failure factors, it is obvious that BPR is anything but just some technical or structural exercise; rather, it deals with holistic organizational change absolutely requiring strong leadership, strategic clarity, and involvement from employees. In instances where objectives are clearly defined, reengineered processes are aligned with business strategy, and initiatives are adequately supported with resources, technology, and performance measurements, reengineering can offer sustainable competitive advantages.

The study of the success stories of BPR programs implemented at both international and national levels, such as IBM Credit Corporation, Taco Bell, Mahindra & Mahindra, and State Bank of India, sheds light on the essence of leadership commitment, collaboration between functions, effective change management,

and IT enablement of organizations. Similarly, a study of failed BPR programs has revealed that a lack of goal definition, communication, training, and change resistance, as well as poor planning, can significantly hamper re-engineering programs. The success and failure stories of organizations, like TELECO, Ford Motor Company, Bank of India, and ICICI Bank, emphasize that organizations ignoring the human and cultural aspects of BPR programs have suffered not only from cost and operating issues, but also from a loss of competitive edge and dissatisfaction within the workforce.

The SWOT analysis reinforces that though BPR has strong internal strengths and offers substantive opportunities through digital transformation, agility, and customer-centricity, it is equally prone to serious weaknesses and external threats if not managed well. Thus, the success of BPR largely depends on an organization's capabilities for minimizing the internal weaknesses, managing proactively the external threats, and continuous alignment of the re-engineered processes with the evolving business and market requirements.

In the final analysis, BPR should be approached as a strategic, long-term investment, not merely as a tactical, short-term cost-cutting initiative. Organizations that approach BPR from a holistic, well-planned, and people-centered perspective are more likely to attain sustainable benefits and achieve true organizational excellence. Done right, BPR can become an orderly catalyst for innovation, competitiveness, and sustainable growth; done badly, it can pose a host of operational and strategic risks.

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