

# Is BPR Still Alive?: The Re-Analysis of A BPR Case Presented by M. Hammer

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## I. Introduction

Since M. Hammer (1990)'s article, there has been an explosion of interest and practice in industry on BPR (Business Process Reengineering). As Hammer and Stanton (1999: H&S in this paper) themselves appraises, it is true that the BPR has made a huge contribution to changing the perspective of business leaders from seeing their organizations as sets of discrete units with well-defined boundaries to seeing them as flexible groupings of intertwined work and information flow that cut horizontally across the business. However, many researchers (e.g., Longo, 1996; Leonard, 1996; Geisler, 1996; Hyde 1997) even including Hammer (1996b) report that in many instances, not only has BPR failed to deliver as promised, but it has also caused multiple side effects, unexpected changes, and widespread corporate tremors throughout many organizations. The criticism is that the BPR tends to be tactical rather than strategic: because (1) it focuses on operational processes/effectiveness (Porter, 1996); (2) its improvement time frame is relatively short-term; and (3) it tends not to consider human development as a source of continuous competitive advantage. Working for his own consulting company (<http://www.hammerandco.com/>), Hammer still seems to be making efforts to cope with these criticism by showing the successful BPR cases.

Regardless of all these pros and cons, H&S asserts that we are seeing a number of companies making the leap from process redesigned companies to process enterprises. To define a process enterprise, H&S (p. 109) explains that the leap toward process management has been achieved by (1) appointing their best managers to be process owners, (2) giving them real authority over work and budgets, (3) shifting the focus of their measurement systems from unit goals to process goals, (4) changing the way of assigning and training employees based on whole processes, (5) making fundamental changes to their cultures, and (6) stressing teamwork and customers over hierarchy. A case of Duke Power (H&S, 1999) shows the example of a true BPR case and the direction of change toward the process enterprise for the future.

## II. Re-Analysis of Case

H&S summarizes the problem as shown in the following box (p. 111). As opposed to most of the previous BPR cases that have focused mainly on the cost reduction, this case imposes the value creation, which is the other side of business problems.

Basically, this problem statement shows that the four geographically dispersed regional units do not work cooperatively to meet customers' needs. Instead of fixing the problem using centralizing the discrete units, Duke Power attempted to change their business

Duke Power, in 1995, had to do a much better job of customer service if it was to survive the onslaught of competition. But the existing organizational structure of Customer Operations, the business unit responsible for delivering electricity to customer, was getting in the way of service enhancements. The unit was divided into four regional profit centers, and the regional vice presidents, overwhelmed by an endless stream of administrative duties, had little time for wrestling with the details of service provision. And even if they had, there was no way to coordinate their efforts across the regions. No one, in short, was responsible for how the company was delivering value to customers.

processes that were involved in creating value to customers. M. Hammer (1990) defines BPR as redesigning business processes in order to achieve radical innovation in performance using information technology. To determine whether a case was a true attempt to BPR, we can analyze the case of Duke Power based upon three key concepts such as process innovation, redesigning, and information technology.

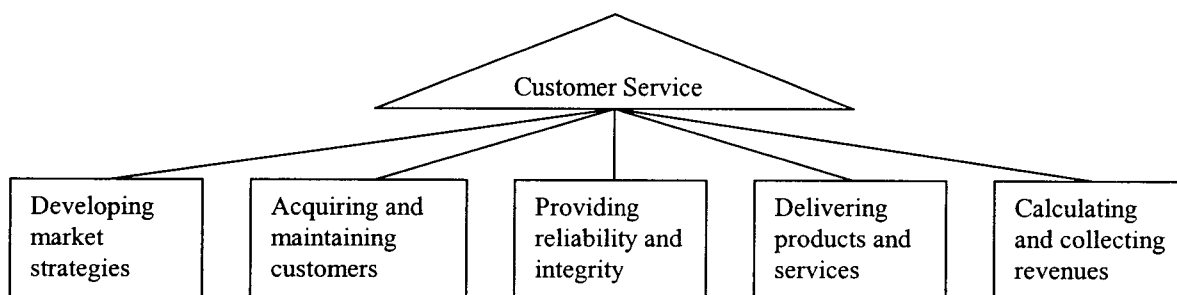
### 1. Process Innovation

From the perspective of value-creating processes, Duke Power identified five core processes, as shown in the following figure, that encompassed the essential work that Customer Operations performed for customers. Five process owners who reported directly to the head of customer operations were assigned to those processes, respectively. H&S mentions that “the most visible difference between a process enterprise and a traditional organization is the existence of process owners (p. 111).” Other than project leaders who active only while a new project is being developed, process leaders continue to play roles as designers to evolve as

It has been criticized that the BPR brings about unintended, seismic layoffs by eliminating all existing departments and regional offices. However, the case of Duke Power shows that existing functional units can be coexistent with the process owners by cooperating each other.

### 2. Radical Change

The term “*radical*” means that BPR changes the way a company does its business. At Duke Power, virtually every activity involved in serving customers has been redesigned *from the ground up*. For example, the process owner for Deliver Products and Services, Rob Manning, has worked with the regional units and suppliers to devise a new way to organize warehouse facilities. Parts that will be required by installation crews, for example, are laid out the night before for easy pickup in the morning, so that the crews can load their trucks and be on the road in 10 minutes, a fraction of the 70 minutes it used to require. The crews can do more installations in a day, so customers do not have to wait as long to get service.



business conditions change and to guide that evolution.

At Duke Power, the five process owners performed three different roles as shown in the following table.

Role	Activities at Duke Power
Designing processes	Working through the unit heads (the regional VPs), the five process owners define how work will proceed at every step, and the four regions are expected to follow those designs. Units heads have to negotiate with process owners to ensure that the process designs are sound, the process goals reasonable, and the resource allocations fair. The split in authority makes cooperation unavoidable. If you don't work together, you fail.
Setting performance targets / Establishing budgets / Distributing budgets	While the regions continue to have authority over people, they are evaluated on the basis of how well they meet the targets set by the process owners, and their budgets are in large part roll-ups of the monies disbursed by the process owners. The regional vice presidents have no choice but to work in partnership with the process owners.
Learning to collaborate colselly with other process owners and employees	Processes, after all, are not islands onto themselves. They overlap, since the same workers are often involved in several processes, sometimes simultaneously. At Duke Power, the same group of field personnel installs lines (part of Deliver Products and Services) and maintain them (part of Provide Reliability and Integrity). The two process owners got together to work out a new arrangement: certain field personnel would be dedicated to each process, and the rest would form a floating pool available to work on either process.

However, the radicalness of BPR has been, unfortunately, regarded as the cost reduction by continuous downsizing. It is clear that continuous change and downsizing have irrevocably altered the trust factor. There is a question of how employees can devote their energies to an organization that cannot be trusted any more.

Because traditional organizational units are naturally hostile to integrated processes, seeing them as threats to

existing vertical units such as functional, regional, or product groups are simply disbanded. Rather, it means that horizontal and vertical management structures have to coexist, not just in peace but in partnership. Employees must not be seen as interchangeable parts of a huge machine, and that a constant and consistent emphasis on redesigning an organization should not be only on short-term operational effectiveness but also on long-term strategic objectives.

At Owens Corning, there was no one in the organization to speak for processes. Departmental and regional managers, as a result, were either rejecting the new software or seeking to tailor it to the narrow needs of their particular units. In response, the company's top executives reorganized people into companywide, cross-functional process teams and appointed process owners to lead them. The new organization provided the impetus for a successful ERP implementation, which has in turn led to a 50% increase in inventory turns, a 20% reduction in administrative costs, and millions of dollars in logistics savings.

their power, organizational and management structures have to be changed in fundamental ways. Through the Duke Power Case, H&S stress that it does not mean that

### 3. Power of Information Technology

Many authors (e.g., Brancheau et al. 1996; Hammer 1990) have consistently encouraged companies to use IT

in implementing the innovative redesign of core business processes. Furthermore, Earl and Kuan (1994, p. 26) mention that a new IT system can directly contribute to reducing the costs of production and coordination. Although a short example of IT like a construction scheduling system was shown in the Duke Power Case, another small case in H&S's article shows an ERP implementation case at Owens Corning.

In addition, the use of IT requires more profound knowledge about both IT itself and business processes. It is reported that the firms that had developed a higher level of IT infrastructure capabilities, before or concurrent with undertaking business process redesign, were able to implement extensive changes to their business processes over relatively short time frames (Broadbent et al., 1999). This delivers an important message to BPR project planners that before embarking on any form of BPR, they should complete a business audit of their IT infrastructure capabilities, as these capabilities have an important impact on the speed and nature of business process change

#### IV. Implication

The case study conducted by H&M gives us a number of meanings in implementing a BPR project. For the companies that will launch a BPR project in the future, the meanings can be summarized as three important implications such as changing the perspective from cost reduction to revenue enhancement, synthesizing the subsystems as well as analyzing them, and finding a way of not sacrificing your employees.

##### 1. From Cost Reduction to Revenue Enhancement

The main motive of BPR has been misunderstood as reducing costs instead of gaining a competitive edge. Because of the strong resistance from the employees to the radical change driven by BPR, Keidel (1994) strongly recommend that a company attempting to launch a BPR project consider all other ways of

reducing costs rather than reducing the number of employees. However, the case of Duke Power implies that managers should ask a question of what cross-functional core processes will truly enhance revenue like retaining and attracting customers/clients. Asking this question may lead to the discovery that a process is costless, relative to some benchmarked process, precisely because it provides the firm with an ability to create revenue in excess of costs. For example, we may hold a large stock of finished goods inventory because our customers are willing to pay top dollar for next-day delivery or immediate services. In sum, BPR projects should focus not only on reducing costs, but also on enhancing revenues.

##### 2. Synthesis as well as Analysis

We have believed that the best way to solve a problem is to break it down into small pieces that can be easily analyzed. People seek to improve each part hoping in turn that they can reconnect these improved parts into a more efficient whole. This creates the risk of focusing only on the most measurable processes rather than the most important, spending large amounts of time collecting data that will not improve the overall profitability of the firm. Consequently, the analysis itself does little to improve overall revenue and indeed may hinder revenue growth because the part cannot substitute the whole. Through this case, H&S suggests that an ERP system cannot give its full benefit without having integrated processes. It is because an ERP system is an integrative mechanism, connecting diverse departments through a shared database and compatible software modules. In short, automated bureaucracy is still bureaucracy if the whole system, without integrating the small bureaucratic pieces, is analyzed and built only from the perspective of its subsystems.

Implication	Guideline
From Cost Reduction to Revenue Enhancement	Find core processes to enhance revenues instead of to reduce costs

Synthesis as well as Analysis	Start from drawing the whole picture of a target system and then design the specific parts
From Sacrifice to Coexistence	Make more employees (rather than only one part of your company) happy

Although business processes should be analyzed to make them better, those processes should also be integrated to achieve the business strategy.

### 3. From Sacrifice to Coexistence

Based on a study conducted by a consulting company, Wall Street Journal (Jun. 30, 1994) reports that many of the 621 companies it studied confused the term with blunt downsizing. In fact, the BPR was perceived by employees as a bad news that may discharge them from the power and the job. However, H&S mention that although the process owners have been given vast authority over how the company operates, the regional vice presidents continue to manage their own workforces (p. 112). In addition to meeting informally to solve particular process conflicts, the five process owners meet regularly in formal sessions with their boss, the head of Customer Operations, to review and coordinate operational plans, budgets, performance measures, and the like.

These three implications tell us that to be a true process enterprise is not just to redraw an organizational chart. Rather, it requires more fundamental change in terms of perspective to the business processes which are running through the whole business system. The discussed implications can be summarized as shown in the following table.

## V. Critiques and Conclusions

Although many BPR authors (Davenport, 1998; Hammer & Champy, 1993) emphasize that the modeling of AS-IS processes is the requisite starting point of any reengineering endeavor, it is not reported how the efforts were made in Duke Power Case. Not only because coming up with AS-IS process models is a nontrivial task, but also because it is currently practiced in a very ad-hoc fashion (Datta, 1998), the case of Duke Power should have included the explanation of how they came up with the five value-creating processes.

Suggesting that reengineering inefficiency has been driven in part by cost and cycle time for process redesign, Nissen (1998) introduces a tool that is intended to redesign the process of process redesign itself. Because the case of Duke Power does not talk about how the radical change in that company could be possible throughout the BPR project, a BPR tool like KOPeR suggested by Nissen (1998) might enable new reengineering efficiencies in terms of direct automation effects and indirect knowledge effects. Kettinger et al. (1997) warns that managers should select BPR techniques that fit the unique characteristics of the project. Further, although the potential associated with knowledge integration has clear implications in terms of reengineering efficacy, the IS literature is silent on these efficacy questions at present (Nissen, 1998, p. 524). This topic will be fallen into future research.

In conclusion, there is no panacea for poor management. Furthermore, downsizing makes the most sense when a firm has little choice but to reduce costs quickly; that is, to cut its losses. Employees must not be seen as interchangeable parts of a huge machine, and that a constant and consistent emphasis on redesigning an organization should not be only on short-term operational effectiveness but also on long-term strategic objectives. Similarly, reengineering may be a sine qua non for historically inflexible companies to recapture competitiveness. But a long-term perspective that encompasses reengineering should explicitly build in a concern for human development. Reengineering neither takes a poorly managed company and makes it well-managed, nor does it take poorly motivated employees and make them motivated. To the question, "is BPR still alive?" this paper concludes that it is still alive but it is now changing its original form to cope with the criticism. Just as we still listen to the radio in the car even after TV came out, so does BPR, by evolving itself, seem to be looking for a better playground in business.

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