

A strategic alignment approach for effective business process reengineering: linking strategy, processes and customers for competitive advantage

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Abstract

Global competition has forced firms to rethink their approach to providing products and services to their customer base. Business process reengineering has been adopted by many firms in an effort to improve their competitive position and enhance their ability to provide customer satisfaction and delight. Although many firms have implemented business process reengineering programs, approximately 60–80% of these programs have failed. Therefore, an approach is needed to increase the probability of success for reengineering programs. This article presents a conceptual framework and key principles for effective business process reengineering. The principles are derived from a case study of a successful reengineering program instituted by the Cummins Engine Company, and a strategic alignment framework which examines the congruency between a firm's strategy, business processes, and customer requirements.

Keywords: Global competition; Business process reengineering (BPR); Strategic alignment; Strategy; Customer requirements; Performance measures; Information technology

1. Introduction

Increases in global competition, customer requirements, and environmental and governmental regulations suggest that dramatic changes are required by many firms for future success and economic survival. Firms across a wide range of industries have reengineered major business processes in the pursuit of continuous improvement. Reengineering involves rethinking and redesigning

a firm's core business processes to achieve dramatic and rapid improvements. However, Holland and Kumar (1995) note that 60–80% of reengineering programs have been unsuccessful. Thus, an approach is needed for the deployment of reengineering programs which produce the desired business results.

1.1. Purpose

The purpose of this article is twofold. The first purpose is to illustrate the process used by the Cummins Engine Company to reengineer its

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accounts payable system. By examining a successful reengineering effort, firms may gain useful insights for the implementation of reengineering programs. The second purpose is to provide an approach, via a conceptual framework and underlying principles, for the design and deployment of reengineering programs which provide firms with strategic benefits.

1.2. Organization

The paper is organized as follows. The first section provided the motivation for and purpose of the paper. A conceptual framework for successful business process reengineering is illustrated in Section 2. Section 3 contains a case study of Cummins Engine Company. Principles for successful reengineering are presented in Section 4. Finally, a summary of the paper is provided in Section 5.

2. Reengineering: A strategic alignment perspective

Hammer and Champy (1990) introduced the concept of reengineering as a means to “break away from the outdated rules and fundamental assumptions that underlie operations”. In addition, Hammer stated that “...we must challenge old assumptions and shed the old rules that made the business underperform in the first place.” Therefore, reengineering requires firms to align core processes with its strategic objectives. In order to

improve business performance, these objectives must enhance a firm’s ability to provide customer satisfaction and delight. Thus, objectives of strategic importance to customers become the driving force for all business activity, and are supported by core processes designed to facilitate the delivery of goods and services to customers which result in value, satisfaction, and delight.

Reengineering programs must be designed and implemented within the context of a firm’s strategy. A strategic alignment between a firm’s strategy, processes and customers is essential to ensure that:

- (1) Strategic objectives are driven by customer needs and expectations.
- (2) Processes selected for reengineering have a strategic impact on the creation of customer value.
- (3) Processes are reengineered in a manner which supports strategy achievement.

Congruency between strategy, processes and customers can be visualized as a “triangle” which links these three elements together. A framework depicting the concept of a strategic alignment triangle for business process reengineering is illustrated in Fig. 1.

2.1. Process management

Talwar (1993) defines a process as a “sequence of pre-defined activities executed to achieve a pre-specified type or range of outcomes”. Business processes often cross functional lines and lie outside of established management systems. In addition, there

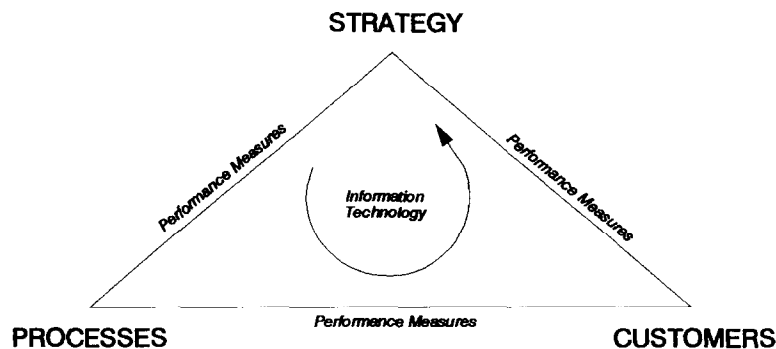


Fig. 1. Strategic alignment triangle.

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