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Successful predictors of business process reengineering (BPR) in financial services

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Abstract

Business process reengineering (BPR) has been a popular business improvement strategy for the past decade. However, Holland and Kumar (Getting past the obstacles to successful reengineering, Business Horizons, 1995, p. 79) noted that 60–80% of BPR initiatives have been unsuccessful. An extensive review of the literature revealed significant gaps in research in this area of technology and innovation management. Therefore, the aim of this paper is to report on a cross-sectional study based on a survey questionnaire sent to strategic business units within the Australian Financial Services Sector that have implemented BPR. A response rate of 32% was obtained. The central finding of the study is that the proactive implementation of BPR as part of the organisation's business strategy, coupled with focusing BPR efforts on core-customer business processes are the most significant predictors of BPR success. Using multiple regression analysis, these BPR practices were found to explain more than 30% of the variance in organisational performance. On the other hand, there was no significant and positive relationship between the increased use of information technology and process cycle time reduction. The implication of these results is that managers must reengineer their core processes from a customer perspective. The paper concludes that the key challenges for successful BPR implementation are changing attitudes and culture, ensuring extensive communications and dealing with resistance to change from middle management.

Keywords: BPR; Customers; Performance

1. Introduction

In the last decade business practitioners have been overwhelmed with new techniques and tools to increase competitiveness in a turbulent business environment. Business process reengineering (BPR) is one of a number of management intervention tools that has been used with mixed success. The ruthless pursuit of performance improvement, namely profitability, was what set BPR apart from other management tools.

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It was defined by Hammer and Champy (1993) as the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed. Ligus (1993, p. 58) claimed that a "30–35% reduction in the cost of sales; 75–80% reduction in delivery time; 60–80% reduction in inventories; 65–70% reduction in the cost of quality; and unpredictable but substantial increase in market share", were all possible through effective BPR. However, Holland and Kumar (1995) noted that 60–80% of BPR initiatives have been unsuccessful. Considering the contradictions and lack of rigorous research available on BPR, the following research question was articulated in relation to BPR implementation in the Australian financial sector: "*Does BPR practice have a significant and positive effect on profitability, cycle time reduction, and customer satisfaction?*"

2. Literature review

Several authors claim that BPR has failed to meet the expectations that were placed on it: Moad (1993) used a Deloitte Touche survey of 500 Chief Information Officers and found that reengineering projects consistently fell short of expectations. Holland and Kumar (1995) showed that 60–80% of reengineering programs end unsuccessfully. Mumford and Hendrick's (1996) review of Hammer and Champy's companies found many were left with processes that were more difficult to manage than the previous ones, costs had increased, and employees were demoralised. Morden's (1997) literature analysis revealed that a paradigm of restructuring, delayering and downsizing results in visionless "*negative, reactive, and short-term partial strategies*". Biazzo's (1998) critical examination of the BPR phenomenon concluded that reengineering "should be forgotten", so that the process concept can be understood in terms of socio-technical systems, and only then enabling long-term strategies for change to be put in place.

Other critics (Cole, 1994; Mumford, 1994; Grint, 1998) claim that the rise of BPR was just a repackaging of old ideas to fit a new context, and that this was ultimately used to drive growth in the consulting industry. Despite the mixed experiences and expensive disappointments there is a relative lack of empirical data characterising successful reengineering efforts. Initial reengineering studies involved investigation through case studies and the construction of general reengineering principles from these studies (Hammer, 1990; Hammer and Champy, 1993; Caron et al., 1994). Latter empirical research (Guimaraes and Bond, 1996; Zairi and Sinclair, 1995; Zucco, 1996; O'Neill and Sohal, 1996) largely reinforced the principles established in earlier BPR research. Huizing et al. (1997) shows that consistent reengineering endeavors generally result in greater benefits than do inconsistent change efforts. Synthesis of the research that has been conducted in identifying best predictors of BPR, six themes have emerged: strategy, management commitment, information technology, customer focus, continuous improvement, and performance outcomes. The impact of each factor is discussed in the following section.

2.1. Strategy

There is a growing body of literature (Zucco, 1996; O'Neill and Sohal, 1996; Zairi and Sinclair, 1995; Carr and Johansson, 1995), which argues strongly in favour of strategically driven reengineering programs. Chan and Chung (1997) attributed the high failure rate of BPR to a failure of organisations to incorporate BPR into their vision and strategic objectives. Sarkis et al. (1997) argue that organisations failing to take a strategic perspective on BPR was the cause for program failures. Sarkis et al. (1997) argued that BPR needs to be viewed as a strategic program, in which "*any process that is reengineered will not only have an impact on the function that has direct control over that process, but other functions that will necessarily support the reengineered process. These two characteristics point to a strategic change*" (p. 262).