Success Factors for Business Reengineering in Strategy Implementation

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Abstract
This study constitutes a theoretical review of existing literature relevant to the subject. The study examines and briefly discusses success factors for business reengineering. The key success factors identified and discussed are Culture, Technology, Processes, Systems and Structures.

Keywords
Success Factors, Business Process Reengineering and Business Environment

Methodology
A theoretical review of literature relevant to the subject.

I. Introduction
Since the 1990s, organizations have been focusing on the development of more flexible, coordinative, team and communication-based capabilities (Al-Mashari et al., 2001; Attaran, 2003; Terziovski et al., 2003). Owing to this fact, most of the organizations have paid special attention to “processes” in recent years (Valiris and Glykas, 2004). They have tried to be competitive in the global market by changing the way of thinking about “business processes” (Adesola and Baines, 2005; Aversano et al., 2002). A collection of activities, which gets a set of input and raises a set of outputs, is referred to as a “process” (Temponi, 2006; Wu, 2003). In a business process, outputs should produce values for the customers.

Over the past decade, firms have faced unprecedented change: globalization, political realignments, and the rapid advancement in Information Communication Technology (ICT). Against this backdrop the concept of Business Process Reengineering (BPR) quickly caught the imagination of corporate leaders. Hall (1993) claimed that 50-70 per cent of Business Process Reengineering (BPR) initiatives fail to deliver the expected results. This is because, although there is an improvement in particular areas, for example, a 20 per cent cost reduction, a 50 per cent process-time reduction, and a 25 per cent quality improvement, at the same time business-unit cost increases and profits decline. However, Smith (2003) noticed among other organizational change attempts, the success rate for reengineering was second highest (23 per cent) next to technology change (28 per cent), and compared with culture change (19 per cent), mergers and acquisitions (14 per cent) and restructuring and downsizing (10 per cent). Much effort is needed in developing a model for BPR, a radical process change, since many success factors should be considered for it, whether for private organizations or for public organizations.

According to Govindarajan and Trimble (2012) strategy formulation and execution is an analytical, data-driven process that rigorously identifies customer needs, differentiates the company from rivals, and maximizes profits. Cocks (2010), asserts that strategy formulation is usually regarded as the exclusive domain of senior management because it rewards creativity (the most admired and valued of all intellectual pursuits). Effective strategy execution rarely gets as much attention as formulation yet experienced managers appreciate that well crafted visions and strategic plans are useless if they cannot be effectively executed. Tsiakkiros (2002) observes that changing trends within the business environment affect the performance of organizations and therefore, have a bearing on how strategies are formulated and executed by organizations. Craig (2011) supports these views that to be successful, a business manager must find a fit between what the business environment dictates and what the firm provides. Kaplan, Norton & Barrows (2008) view strategy development process as a “black box” that produces a strategy to be implemented using strategy maps and balanced scorecards. They observe that while the actual selection of a strategy remains an art, it should be governed by a systematic process. It is one that defines the organization’s purpose and goals and carefully examines the external and internal environment to identify opportunities and constraints regarding that strategy as well as Business Process Reengineering.

The best formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented. “Drawing a line between strategy formulation and execution almost guarantees failure” (Martin, 2010). Hrebiniak (2006) posits that although formulating a consistent strategy is a difficult task for a management team, making that strategy work, is even more difficult. Strategy execution is a key challenge for today’s organizations due to emerging opportunities and challenges within the business operating environment. There are many factors that influence the success of strategy implementation, ranging from the people who execute the strategy to the systems or mechanisms in place for coordination, control and support (Li, Guohui & Eppler, 2008).

Martin (2010), identifies key challenges to successful strategy execution as, making strategy meaningful to lower level staff, failure to effectively communicate the firm’s strategy to staff, formulation takes a top down approach and there is poor ownership and buy-in from all stakeholders. Cocks (2010), observes that the causes of breakdown in strategy implementation relate to the capabilities, process and activities that are needed to bring the strategy to life. He adds that effective execution of strategy calls for unique, creative skills including leadership, precision, attention to detail, breaking down complexity into digestible tasks and activities and communicating in clear concise ways throughout the organization and to all stakeholders. Cocks (2010), asserts that effective strategy execution in itself may provide a major source of competitive advantage.

Cocks (2010), holds the view that strategy execution is not merely a matter of operationalizing the strategy, by exercising command over resources, employees and their work. According to him, successful organizations stay tuned to their external environments and quickly adapt by changing their internal processes, systems, competencies, products and services. Nunes and Breene (2012) contend that traditional strategic planning and execution approaches are useful in stretching the revenue curve of an existing business, but they can’t help firms detect how the competition bias in a market will change. Zomorodian (2011) points out that strategic planning approach has gained popularity in recent times
II. Success Factors for Business Reengineering in Strategy Implementation

The key success factors for business reengineering in strategy implementation identified and discussed below.

A. Culture

Sackmann (2001) captured the complexity of cultural influences by depicting the different levels of culture that influence culture at the firm level. These range across culture at national, regional, industry and firm levels, and are intersected by the sub cultures of gender, ethnicity, profession, and within the firm by functional domain, hierarchy and tenure. Alvesson (2002), argues for a perspective he names “multiple cultural configuration” which portrays organizational culture as mixtures of cultural manifestations of different levels and kinds affected by the societal level and its interpretation by individuals and organizations. Most recently, Riad (2005), takes a Foucauldian stance in analyzing the use of organizational culture in a merger situation. She illustrates how organizational culture is used in merger (and academic) discourse to sustain a regime or regimes of “truth”. However, although these types of views are becoming common currency in the organizational culture literature, they arguably, are yet to dislodge widespread organizational practices grounded in culture as property. To understand organizational culture one also needs to think about the wider culture that has influenced beliefs about organization culture. For instance, one could argue that because of their education, reading, socialization and interaction with consultants, managers tend to believe that organizations “have” a culture and that it is controllable in the sense that they are able to change it in predictable ways. Johnson, Whittington & Scholes (2011) define organizational culture as basic assumptions and beliefs that are shared by members of an organization. The influence on various forms of culture (organizational, national and international) on strategy is rapidly emerging as a critical strategy success factor that is receiving a lot of attention from managers. Johnson et al. (2011) argues that the emphasis is on strategy development in business reengineering as the outcome of the taken-for-granted works to define, or at least guide, how people view their organizations and their environments. It is, therefore, an emerging trend that decisions about future strategy will be within the bounds of culture and that a pattern of continuity will be the outcome; subsequently post-rationalised by the managers. Culturally bound strategy development can lead to strategic drift (Karnani, 2006).

B. Technology

ICT is a critical component and even a natural partner of business process reengineering, which has a continuous and important role in businesses (Attaran, 2003; Vidovic and Vuhic, 2003). Many authors have described that successful application of ICT is effective in implementing a successful business process reengineering as well as strategy implementation. Contrarily, overlooking the role of ICT can result in failure (Motwani 2005; Shin and Jemella, 2002). ICT covers the areas of hardware, information system, and communication technology, which provide individuals with the required information (Al-Mashari and Zairi, 2000; Attaran, 2003). These bring effectiveness in realizing organizational integrated success factors by pulling human, business, and organization together (Grant 2002; Motwani 2005). For example, “communication technology” is to make open communication, share information, and create collaborative team working (Attaran, 2003; Tatsiopoulos and Panayiotou, 2000). Multiple business strategies have been victims of the rapid emergence of what Hill (2010) terms as technological paradigm shifts. Business strategies have had difficult times coping with rapid emergence of technologically related paradigm shifts, both in terms of business reengineering and strategy execution, mainly due to the rapid rate of these changes. Hill (2010) argues that “technological paradigm shifts occur when new technologies come along and revolutionize the structure of the industry, dramatically alters the nature of competition, and require companies to adopt new strategies to survive”. There are many examples of technological paradigm shifts such as shift from communicating through letters to emails, mobile phone texting, face book, twitter, blogging and shift from analogue to digital television broadcasting. Banks and financial institutions that were slow in embracing this technology have had their share of profitability woes to tell. Money moves freely and virtually instantly between destinations, seeking the highest available return from the most attractive markets, where they may be (Daniell, 2006). Organizations should be prepared for these changes even as they reengineer.

C. Structures

The supporters of the Business Process Reengineering movement uphold the bureaucracy as the dominant type of organization from the late 18th century and onwards. To reengineer these bureaucratic organizations, their bureaucratic functions are replaced with another mechanism — the business process (Morgan 1997). Paradoxically, this is a reincarnation of the approaches found in organizations in the early decades of the 20th century, while Business Process Reengineering was about the overhaul of such bureaucracies in the first place (Morgan 1997). This perception of organizations can be understood in terms of the machine metaphor of Gareth Morgan (1997). If the organization is seen as a machine, then the first step is to set goals and objectives — the strategy. Next one has to organize the means to accomplish this strategy by organizing rationally, efficiently, and clearly. Then the human factor will fall into place automatically, since they are submitted to the designed system. Although Business Process Reengineering tries to eliminate the endless formal specifications of work-breakdown structures – wherein each and every job detail is specified – it is at least questionable if a formal business process specification as a replacement is a real improvement. A fixed set of business processes is more likely to restrain the creativity of people than to encourage it. At best, this hinders the organization’s ability to respond to a dynamic environment. At worst, this will reform the organization into the same sluggish machine it was trying to overcome in the
first place. To keep an organization responsive to changes in its environments, managers must decide on the best way to organize their structures to create an organizational architecture that allows them to make the best use of organizational resources. Mankins and Rogers (2010), draw a parallel between decisions and structures by saying that “an army’s success depends, at least as much on the quality of the decisions its officers and soldiers make and execute on the ground as it does on actual fighting power”. Focusing on the effects of decisions in business reengineering and strategy as opposed to Alfred Chandler’s “structure follows strategy” theory is gaining ground in the business world. A Corporation’s structure will produce better performance if and only if it improves the organizations ability to make and execute key decisions better and faster than competitors. If an organization’s strategic priority is to become more innovative, the reorganization challenge will be to structure the company so that its leaders can make decisions that produce more and better innovation over time together with their subordinates. Mankins and Rogers (2010), are of the view that organizational structure is not the only determinant of performance and in some cases, it is not even particularly important. That is why changing a company’s structure to meet a particular strategic goal can actually exacerbate problems rather than help solve them. Failure to recognize the importance of organizational structure on the performance of firms will lead to serious bias in estimation of the costs and overall profitability. Therefore organizations should look at their own systems with an aim to overall improve their performance.

D. Systems

In the last few years, many organizations have chosen to implement standardized management systems (MSs), such as the ones based on ISO 14001 and ISO 9001 (the most certified and diffused standardized management systems, see ISO, 2010; Piskar and Dolinske, 2006; Llach 2011). Several authors have studied the integration of Quality Management Systems (QMSs) with other management systems such as the ones for information technology, environmental management or corporate social responsibility, among others, in order to increase business performance (Bajgoric and Moon, 2009; Sa’ nchez-Redri guez and Marti nez-Lorente, 2011). Similarly, Moneva and O rtas (2010) study on the impact of integrating environmental with other management systems. Park (2010) propose that business integration solutions should be developed and address the key questions of how to take advantage of standards based capabilities to improve the efficiency and reliability of business integration solution development. There have been many studies investigating firms’ motivations for certification of MSs, their implementation experiences and the benefits received (Pan, 2003; Masoud, 2011). Many benefits and efficiencies are related to the integration of management systems. For instance, Karapetrovic and Willborn (1998b), Wassenaar and Grocott (1999), Tari and Molina-Azon’n (2010), Simon (2011) and Zeng (2011) present improvements related to having an integrated system such as costs savings, operational benefits, better external image, improved customer satisfaction and enhanced employee motivation as well as ease of business reengineering. The systems paradigm is a way of thinking about the strategic environment. Organizations appreciate the importance of the inter-relationships of management principles when they employ the principles as a system. For example the decisions about staffing in business can have dramatic effects on the quality of work, your retention rates and level of customer service and business reengineering.

E. Processes

Process is a structured, measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on how work is done within an organization” (Davenport, 1993). To understand the organizational orientation of process, a wider context of organizations is required. This context is provided by a paradigmatic view of sociology. As Jaffee (2001) points out, the contribution of sociology to science in general is the insight that individuals operate in a social environment. Although many question the value of sociology nowadays (Casey 2002), it does encompass a level of analysis that is deemed most appropriate in business process reengineering and strategy implementation. In order to understand why processes, policies & procedures are so important one needs to clearly link an organization’s “Vision” and their decision making process. This will help identify when there is need for review of the business processes or total overhaul.

III. Conclusion and Recommendations

This paper has identified, examined and discussed Success factors for business reengineering in strategy implementation. A theoretical review has been made on existing relevant literature. Among the key, strategic approaches identified, examined and discussed as success factors for business reengineering in strategy implementation include, culture, technology, structure, systems and processes.

Given the dynamism in the current business environment catalyzed by globalization, the authors recommend that specific studies be conducted on further emerging success factors.

References


