

# UNIT 3 — BUSINESS PROCESS REENGINEERING (BPR): CORE CONCEPTS

This unit answers **what BPR really is, how it is different from other improvement approaches, and why traditional automation often fails.**

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## 3.1 What is Business Process Reengineering (BPR)?

### Definition (must be memorized)

**Business Process Reengineering** is the **fundamental rethinking and radical redesign of business processes** to achieve **dramatic improvements** in critical performance measures such as **cost, quality, service, and speed.**

This definition has **four key words** that matter:

1. Fundamental
  2. Radical
  3. Dramatic
  4. Process
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### Breaking the definition (very important)

#### 1. Fundamental

Fundamental means questioning **basic assumptions**:

- Why do we do this step?
- Who should do it?
- Does it need to exist at all?

This is not about improving the step — it is about **challenging its existence.**

#### Example:

“Why do we need invoices?” instead of “How do we process invoices faster?”

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## 2. Radical

Radical means **root-level change**, not small improvements.

- Radical ≠ risky for fun
- Radical = redesign from scratch

**Example:**

Replacing an approval-based process with rule-based automatic decisions.

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## 3. Dramatic

BPR targets **order-of-magnitude improvements**, not marginal gains.

- Not 5–10% better
- But 50–80% improvement

**Example:**

Ford reduced accounts payable staff by ~75% after reengineering.

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## 4. Process

BPR focuses on **end-to-end processes**, not departments, tasks, or job titles.

**Example:**

“Procure-to-Pay” instead of “Accounts Payable Department”.

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## Two examples of BPR

1. **Ford Accounts Payable**: eliminated invoices altogether
  2. **Starbucks mobile ordering**: customers perform tasks previously done by staff, reducing wait time and bottlenecks
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## Typical Exam Question

**Q. Define BPR and explain its key elements.**

BPR is the fundamental rethinking and radical redesign of business processes to achieve

dramatic improvements in cost, quality, service, and speed. “Fundamental” means questioning basic assumptions, “radical” means root-level redesign, “dramatic” refers to order-of-magnitude improvements, and “process” emphasizes end-to-end workflows rather than isolated tasks or departments.

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## 3.2 Hammer & Champy’s Philosophy of BPR

Michael Hammer and James Champy are considered the **founders of BPR**.

### Their core belief

“Most organizations are not badly automated — they are badly designed.”

Meaning:

- Technology is not the problem
  - Old process logic is the problem
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### Key ideas from Hammer & Champy

1. Traditional processes are designed for:
  - Control
  - Scarce information
  - Low-skilled labor
  - Slow communication
2. Modern organizations operate in:
  - Information abundance
  - Skilled workforce
  - Fast communication
  - High customer expectations

→ Old processes no longer fit the environment.

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### Implicit rules (Hammer emphasizes this)

Many processes follow **unwritten rules**, such as:

- “We pay only after receiving an invoice”
- “Decisions must go through managers”

- “Customers cannot be trusted to do tasks”

BPR **breaks these rules.**

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## Example

Old rule:

“We pay vendors after invoice verification.”

New rule (Ford):

“We pay vendors when goods are received.”

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## Typical Exam Question

**Q. According to Hammer, why do organizations fail to gain value from IT investments?**

Because organizations use IT to automate existing processes instead of redesigning them. This preserves old inefficiencies and only speeds up flawed workflows rather than eliminating unnecessary steps.

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## 3.3 Radical Redesign vs Incremental Improvement

This comparison is **guaranteed exam material.**

### Incremental Improvement

Incremental improvement focuses on:

- Optimizing existing steps
- Reducing errors
- Improving local efficiency

### Examples:

- Faster data entry
  - Better training
  - Minor automation
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## Radical Redesign (BPR)

Radical redesign focuses on:

- Removing steps
- Combining tasks
- Changing who does the work
- Redefining rules

### Examples:

- Removing invoices
  - Letting customers self-serve
  - Eliminating approval layers
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## 6 Key Differences

Aspect	Incremental Improvement	Radical Redesign (BPR)
Scope	Local	End-to-end
Change size	Small	Fundamental
Time horizon	Continuous	One-time transformation
Risk	Low	High
Technology use	Automates steps	Enables new process
Results	Gradual	Dramatic

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## Example Comparison

- Automating invoice matching → incremental
  - Removing invoices entirely → radical
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## Typical Exam Question

### Q. Why does BPR reject incremental improvement?

Because incremental improvements retain the original process structure and assumptions,

leaving core inefficiencies such as handoffs, approvals, and rework intact. BPR seeks dramatic performance gains by redesigning the process itself rather than optimizing individual steps.

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## 3.4 “Don’t Automate, Obliterate” (Hammer’s Paper)

This paper is **central** to your course.

### Core message

Do not use computers to speed up bad processes.  
Use computers to **eliminate** bad processes.

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### What “Automate” means

- Taking an existing process
- Adding IT to make it faster
- Keeping the same logic

#### Example:

Scanning paper forms instead of removing the form.

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### What “Obliterate” means

- Question why the process exists
- Remove unnecessary steps
- Redesign the flow entirely

#### Example:

Eliminating paper forms using shared databases.

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### Why automation often fails

Automation:

- Preserves bureaucracy
- Speeds up errors
- Locks in bad design

Hammer argues that many IT failures occur because companies **paved cow paths instead of redesigning roads**.

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## Ford Accounts Payable (key illustration)

### Old process:

- Purchase order
- Receiving document
- Invoice
- Three-way matching
- Payment

### New process:

- Shared database
- Goods receipt triggers payment
- No invoice

### Result:

- 75% reduction in staff
  - Faster processing
  - Fewer errors
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## Typical Exam Question

### Q. Explain “Don’t Automate, Obliterate” with an example.

The principle means that organizations should not use technology to speed up flawed processes but should redesign or eliminate unnecessary steps altogether. For example, Ford eliminated invoice processing entirely by using a shared database and paying vendors when goods were received.

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## 3.5 BPR vs TQM vs Six Sigma

This comparison **must be crystal clear**.

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## BPR

- Goal: Radical transformation
  - Focus: End-to-end processes
  - Timeframe: One-time redesign
  - Outcome: Dramatic improvement
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## Six Sigma

- Goal: Reduce variation and defects
  - Focus: Process consistency
  - Tools: Statistics, data analysis
  - Outcome: Predictable performance
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## TQM (Total Quality Management)

- Goal: Continuous quality improvement
  - Focus: Culture and employee involvement
  - Tools: Standards, training, feedback
  - Outcome: Gradual quality improvement
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## 6 Differences (BPR vs Six Sigma)

Aspect	BPR	Six Sigma
Nature	Radical	Incremental
Time	Short-term project	Ongoing
Change	Structural	Statistical
Focus	Process design	Process stability
Risk	High	Low
Metrics	Cost, speed	Defects, variation

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## When each is appropriate

- Broken process → BPR
  - Unstable process → Six Sigma
  - Mature process → TQM
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## Typical Exam Question

### Q. Differentiate BPR and Six Sigma.

BPR focuses on radical redesign of processes to achieve dramatic improvements, while Six Sigma focuses on reducing variation and defects through statistical analysis. BPR changes the process structure, whereas Six Sigma improves process consistency.

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## 3.6 Process Ownership & Outcome Orientation

### Traditional model

- Tasks owned by departments
  - No one owns the full process
  - Problems fall “between” departments
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### Process ownership (BPR model)

- One owner responsible for the **entire process**
  - Accountable for outcomes, not tasks
  - Authority across functional boundaries
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### Outcome orientation

Work is organized around **results**, not activities.

#### Example:

- Outcome: “Approved loan”
  - Not: “Filled form”, “Verified documents”, “Manager signed”
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### Benefits

- Clear accountability
  - Faster decisions
  - Fewer handoffs
  - Better customer experience
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## Typical Exam Question

### Q. Why is process ownership critical in BPR?

Because BPR redesigns end-to-end workflows that cross departmental boundaries. Without a single process owner, accountability is fragmented and delays persist due to handoffs and coordination failures.

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## UNIT 3 — Exam Question Bank

1. Define BPR and explain its four core elements.
2. Why does Hammer argue that automation often fails?
3. Explain “Don’t Automate, Obliterate” with an example.
4. Compare radical redesign and incremental improvement.
5. Differentiate BPR, Six Sigma, and TQM.
6. Why is process ownership essential in BPR?
7. Explain how implicit rules hinder process performance.
8. Why does BPR focus on outcomes rather than tasks?