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*Kazimierz Perechuda**

STRATEGIC MANAGEMENT OF THE BUSINESS PROCESS REENGINEERING

The paper presents the connections between business process reengineering (BPR) and Strategic Management. BPR is described as the dynamic instrument of the company management. The following issues are described:

- objectives of the BPR,
- strategic reengineering process,
- phases of the reengineering process,
- change management as an instrument of strategic business reengineering.

1. INTRODUCTION

Business process reengineering (BPR) is one of the most successful management methods of a company. It is strongly correlated with other management methods like: strategic management, self-learning organization and virtual organization.

The paradigms of the rapidly changing environment enforce creating of the new dynamic models of the company behaviour. On the basis of such descriptive models we could construct models of the continuous cooperation between organization and its environment. Optimization of such models concentrates on securing dynamic equilibrium of the “exchange processes” of the strategic resources.

BPR appears as a dynamic method which could secure the long-run strategic equilibrium inside organization and between organization and its environment

2. REENGINEERING OBJECTIVES

BPR means the total re-design of the basic activities of the company. The application of this management method should be supported by other, very advanced management instruments: strategic management, virtual organization, model of the self-learning organization and change management.

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In a modern management approach we can divide the total set of the company activities into two subsets:

- professional activities,
- entrepreneurial activities.

Successful enterprises try to find a dynamic balance between professional activities and entrepreneurial activities. Therefore they create a hybrid structure which connect these two types of activities. This kind of systems balancing could be interpreted in the following two ways.

First of all, the enterprise pursues a balance between internal organization and external environment. This could be achieved by the introduction of the virtual organization model in which the border between organization and environment is hardly identifiable and relatively open-ended. Secondly, entrepreneurial activities are more dynamic and environmentally oriented but professional activities are more static and oriented toward internal organization. Professional activities take care of the core business of the company. The main task of the entrepreneur is to establish persistent links with strategic business units in the environment of the company.

The companies which have applied hybrid structure take special care of balancing the different capacities of the organization actors, who perform professional and entrepreneur activities. Hybrid structure means the connection of the two types of organization social and professional organization. In social organization the most important instrument is social communication, which is human oriented. Professional organization creates the other side of the picture. It contains the major management processes: information, manufacturing, financial and human resource management processes, oriented by satisfying the following objectives (Ketelhohn 1995, p. 68):

- anticipating customer needs,
- quick response to customer orders,
- new product development.

In the reengineering process we try to get a balance between the emphasis on internal and external processes (Figure 1). This type of balance means: high cost, high time effort and high quality of managers. In Figure 1 we are going to reach the congruence between strategic and operational managers in the form of the universal manager. This is the future model of the organization. An universal manager is internal and external oriented. Therefore he could easily perform reengineering objectives like environmental analysis from the point of view of customer needs (external focus) and management of the new product (internal focus as the result of external analysis). An universal manager creates first of all customer value. In the hybrid structure he optimizes efficient cross-functional processes, especially social and professional activities, which develop the potential of quick responsiveness to a customer order. Such

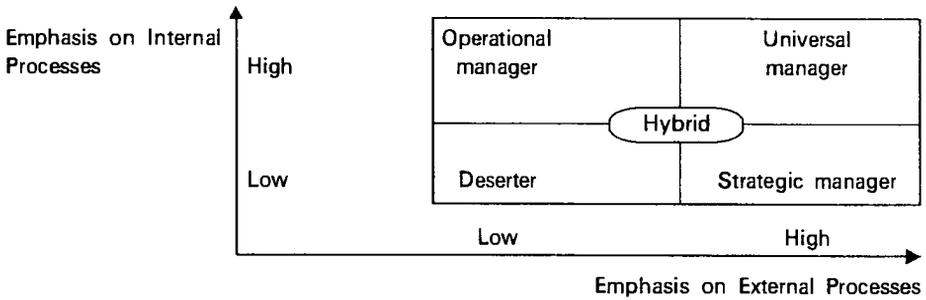


Fig. 1. Hybrid structure supporting reengineering processes
 Source: author's own.

a hybrid structure is the static instrument in the process of the creation of the virtual organization. We should also take into account the model of the self-learning organization which is more connected with the model of the non-open organization and stimulates in the first phase the potential for changes within the organization. A model of the virtual organization and self-learning organization are very supportive in the strategic management of the business process reengineering, which generally means discontinuous process of thinking, recognizing and restructuring the outdated vision, philosophy, mission, policies, principles and methods of the functioning and development of the organization.

Strategic reengineering contains the following objectives (Figure 2):

	Strategic reengineering objectives		
Strategic reengineering processes	Organization value	Virtual value chain	Self-learning organization
Immaterial processes	Vision, philosophy, mission	Visibility	Spirit of the team
Personnel processes	Development of the organization actors	Value matrix: building relationships	Organization climate
Financial process	Low orientation toward financial resources	Financial virtual value chain	Cost reduction of the organization experience
Material processes	Physical resources as the organization symbol and myth	Physical value chain	Small focus on material resources

Fig. 2. Strategic reengineering processes
 Source: author's own.

1. Identification and creation of the company's value (e.g. vision, philosophy, mission).

2. Open the border of the organization toward the flow of strategic resources from the key participants in the environment (creation of the virtual value chain).

3. Dynamic self-transformation of the organization (self-learning organization).

3. STRATEGIC REENGINEERING PROCESSES

There are the following strategic reengineering processes in the organization:

- 1) immaterial processes,
- 2) personnel processes,
- 3) financial processes,
- 4) material processes.

These processes are oriented toward accomplishing reengineering objectives (Figure 2).

Strategic immaterial processes define and communicate strategy: vision, philosophy, mission. These are the key values in the process of creation of the organization value. Creation of the company's integrated information is the basic immaterial process which enables building the virtual value chain. Ensuring the support of the entire staff is a key immaterial process in the creation of the model of a self-learning organization.

Personnel processes are the subject of the human resource management which contains (Talwar 1993, p. 24): recruitment, performance appraisal, training and development, counselling and guidance, disciplinary action, promotion and selection.

Financial management supports the financial processes through the following instruments (Talwar 1993, p. 24): activity costing, budgeting, cash forecasting, revenue budgeting (forecasting), tax planning, financial reporting.

Material processes could be explained through the application of the following instruments: operations management, resource management, inbound and outbound logistics, etc.

Each kind of process contributes to the achievement of the strategic reengineering objectives.

4. PHASES IN THE REENGINEERING PROCESS

The reengineering process could be analysed and implemented on two levels: strategic and operational.

These are the following phases of the reengineering process on the strategic level:

1. Creation of the immaterial values of the organization (creation of the virtual value chain).
2. Building of the capabilities of human resources.
3. Design of the dynamic financial system.
4. Building of the physical value chain.

The classic phases in the reengineering process are operational oriented and could be treated as the application tools for the strategic business process reengineering. Figure 1 illustrates different sequences in BPR presented in classical reengineering literature.

In the model presented by Johansson and his colleagues (1993, pp. 86-100) every phase is divided into the following steps:

Phase 1: mobilize, assess, select, engage,

Phase 2: mobilize, analyse, innovate, engineer, commit,

Phase 3: mobilize, communicate, act, measure, sustain.

Zippies (1995, p. 6) divided BPR phases into preparatory activities (ensure top management support, establish project team) and parallel activities (ensure effective change management, ensure functional impartiality, communicate, educate and train).

In practical projects prepared for companies we must have in mind the framework of strategic business process reengineering and follow the phases on the strategic and operational level.

5. CHANGE MANAGEMENT AS AN INSTRUMENT OF STRATEGIC BUSINESS PROCESS REENGINEERING

Change management could be used as the instrument of the realization of the goals of the BPR. In BPR it is very important to break away from the old assumptions and rules of company business. It means that we have to rearrange organization value through the changes of the structure of strategic resources (static approach) and strategic processes (dynamic approach). Change management is very helpful in this process.

Talwar explains such "breaking away" of the previous values in the following way (Talwar 1993, p. 23):

1. Examining how and why we add more or less value than our competitors.
2. Forcing a radical and continuous reappraisal of customer requirements.
3. Asking naive and challenging questions.
4. Reappraising where and how we deliver service.
5. Eliminating unnecessary activities.
6. Minimizing delays.

- 7. Increasing flexibility.
- 8. Reducing duplication of effort and investment.
- 9. Improving internal communications.
- 10. Empowering staff with greater responsibility and decision making authority.
- 11. Outsourcing activities which add no value.

Change management used in BPR is customer oriented. It means that this approach shows first of all an adaptive character. Company environment contains the market segment. Within the market segment exists potential customers with their needs, which in fact strongly influence the company's behaviour. On the other side change management has a strong impact on the internal processes organization. Change management influences the creation of the business strategy, builds organization capabilities, develops core processes and is the driving force in the process of the creation of the business architecture.

Phases	Authors		
	Talwar, R.	Zipplies, R.	Johansson, H. J. McHugh, P. Pendelbury, A. J. Wheeler, III W. A.
1	Vision definition	Case for action	Discover
2	Plan development	Vision statement	Redesign
3	Business analysis	Redesign	Realize
4	Business redesign	Build	x
5	Implementation	Implement	x
6	Measurement	Sustainability	x

Fig. 3. Comparative analysis of the phases in the reengineering process
Source: author's own.

6. CONCLUSIONS

Strategic management of the BPR is one of the most important modern organization management models. It cooperates with other organization theories: virtual organization, selflearning organization and communication theory. It is very useful in the process of the creation of the competitive advantage of a company.

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