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SECOND EDITION

ENTERPRISE SYSTEMS FOR MANAGEMENT

CHAPTER 9

ORGANIZATIONAL CHANGE AND BUSINESS PROCESS RE-ENGINEERING

Learning Objectives

- Comprehend why ERP systems are implemented to include Business Process Re-engineering and “best practices”.
- Realize that senior management must be committed to the implementation to assist in overcoming resistance to the change in business processes that meet the company vision and goals.
- Develop an awareness of Organizational Project Management Maturity Model (OPM3) and its uses in assessing an organization’s ability to implement an ERP system successfully.
- Introduce business process management (BPM) and discuss its relationship with BPR.

Preview

- An implementation can be plagued from the beginning by lack of vision, a set of unrealistic goals that will be achieved by the ERP system, or both.
- Business Process Reengineering (BPR) is used to assess the organizational process change needed and streamline processes and procedures.
- Organizational Project Management Maturity Model (OPM3) assesses the company's level of skills and ability to implement an ERP system successfully.
- The OPM3 consists of three steps:
 - Knowledge
 - Assessment
 - Improvement.

Reason for Change

- The concept of organizational change is in regard to change throughout the organization.
 - A change in mission
 - Restructuring operations
 - New technologies
 - Mergers
 - Major collaborations
 - 'Rightsizing'
 - New programs such as Total Quality Management
- ERP implementation projects usually mean radical changes to an organization including fundamental changes in procedures, processes and job functions.

Organizational Commitment

- A successful implementation entails the unwavering commitment and “will” of senior management and key staff to see the implementation through.
- Senior management and key staff need to be steadfast in the quest to succeed through all the problems.
- There are two key areas to consider to ensure organizational commitment:
 - A well-defined Communication Plan
 - Organizational Project Management Maturity Model (OPM3)

Change Management

- Change management is the process of developing a planned approach to change in an organization.
- The objective is to maximize the collective benefits for all people involved in the change and to minimize the risk of failure.
- Change management must be an integral part of the overall implementation planning strategy to implement an ERP system successfully.

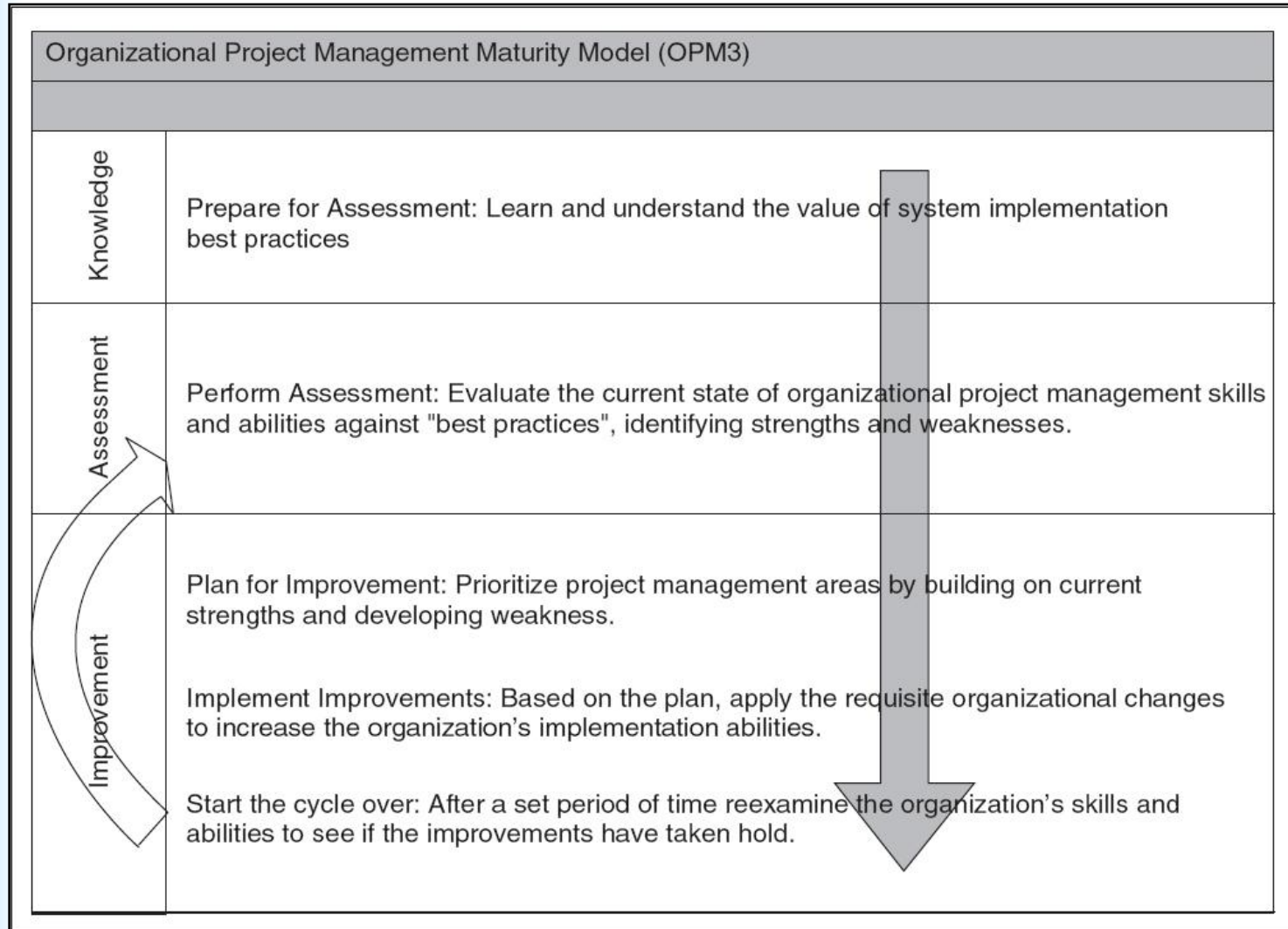
Organizational Project Management Maturity Model (OPM3)

- Seeking to create a framework within which organizations can re-examine their pursuit of strategic objectives via Best Practices in organizational project management
- The OPM3 model is a three-step continuous improvement process.
 - **Step 1:** *Knowledge*
 - **Step 2:** *Assessment*
 - **Step 3:** *Improvement*

Benefits of OPM3

- Helps organizations identify and deliver the right projects to advance their strategy.
- Improved project performance and return on investment
 - Isolates process improvements while forcing organizations to consider external pressures increasing operational and organizational efficiency
- Helps the organization align its strategy with the projects that sustain business success
- Mitigates operating costs by keeping projects aligned to business strategy

Figure 9-1 Organizational Project Management Maturity Model



Business Process Re-engineering

- A business process is defined as a set of logically related tasks performed to achieve a defined business outcome.
- Re-engineering is when a business essentially dismantles existing processes into individual activities and puts them back together in a new set of business flows or sets of business flows.
- Resistance to change will be high and require a significant level of change management to succeed.

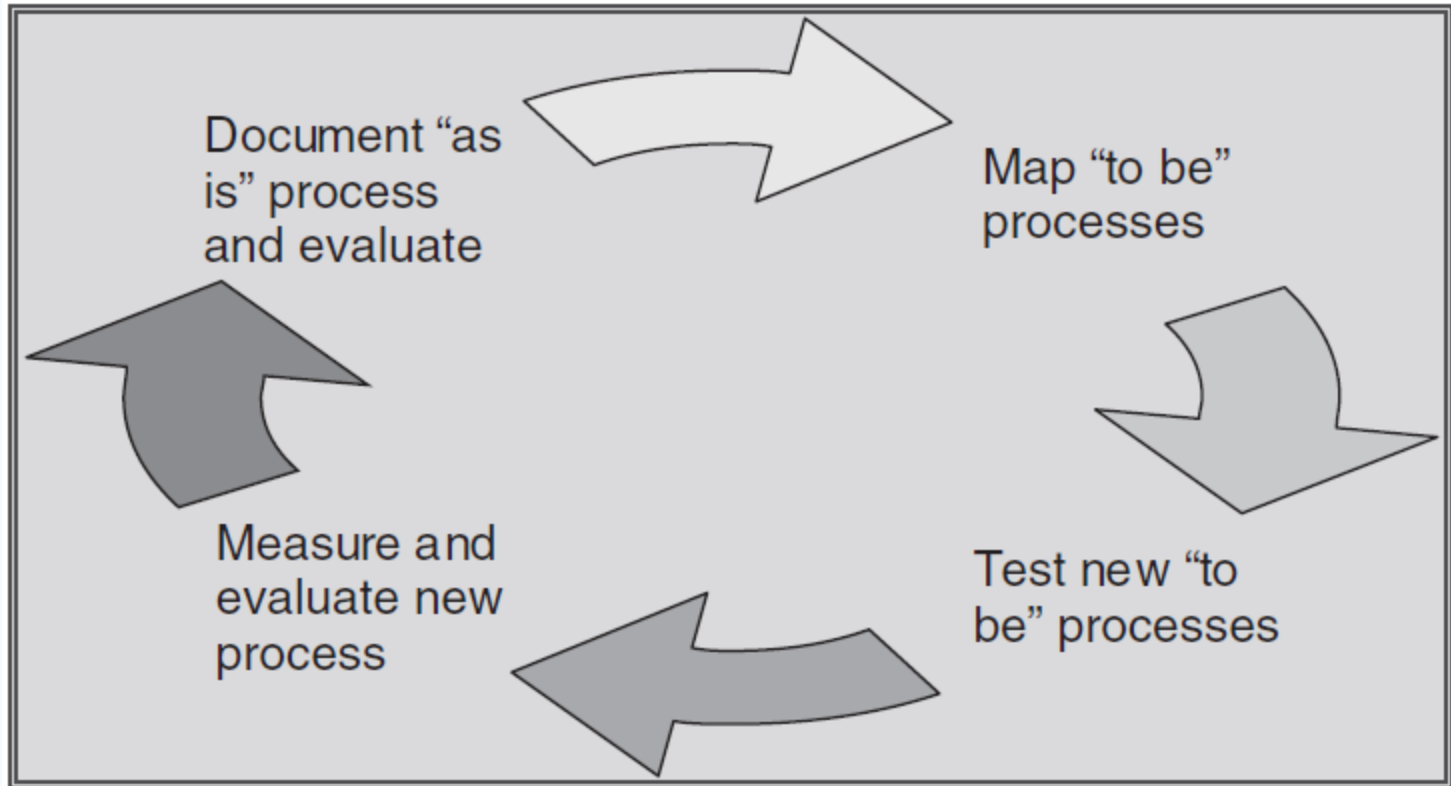
BPR Methodology

- Preparation—Set goals and vision, identify teams, and develop an inventory of processes that need to be evaluated.
- Define the “as is” process and evaluate cross-organizational issues.
- Map out “to be” processes based on best practices (i. e., related to ERP).
- Test and measure new processes based on meeting goals and vision.
- Re-evaluation—revise, adjust to improve processes.

BPR Methodology (Continued)

- Preparation-Drivers behind the need for BPR:
 - Implementing a current purchased ERP system
 - Automating current manual or error prone processes
 - Improving service to customers
 - Streamlining current processes to decrease time to market
 - Participating in or conducting e-Marketplaces
 - Reducing costs
 - Addressing accountability
 - Conducting e-Procurement

Figure 9-2 BPR Framework



BPR Methodology (Contd.)

- 'As Is~
 - Working with the vision and goals, the functional teams must define the existing processes.
 - Need both a written description and graphical depiction of each and every process.
- 'To Be~
 - This phase addresses timing of processes and the changes needed to meet the original set of goals.
- Testing and Measurement
 - The testing and validation of each process is necessary to ensure that a step was not missed or that a process was not achievable.

Business Process Management

- BPM can be defined as:
 - 'A management discipline that treats processes as assets that directly contribute to enterprise performance by driving operational excellence and business process agility~
 - BPM employs methods, policies, metrics, management practices and software tools to continuously optimize the organization processes to improve business performance against goals and objectives

Difference between BPR and BPM

BPR	BPM
Aims at eliminating the human intervention and automating the process, wherever possible	Follows an iterative approach of making incremental improvements in the processes
All about automation and downsizing of the organization.	Understands the dependencies and interactions among the people, system and the information needed to do the tasks better

Best Practices of BPM

- BPM systems help managers in understanding the working of the business processes better so as to manage them more efficiently
- Successful BPM implementation requires separating the following:
 - Human Intensive Processes - These processes are also known as “knowledge work.” They depend on people to do the work.
 - System Intensive Processes - These processes involve a large number of automated transactions each day that do not require human judgment

Figure 9-3 Example Processes

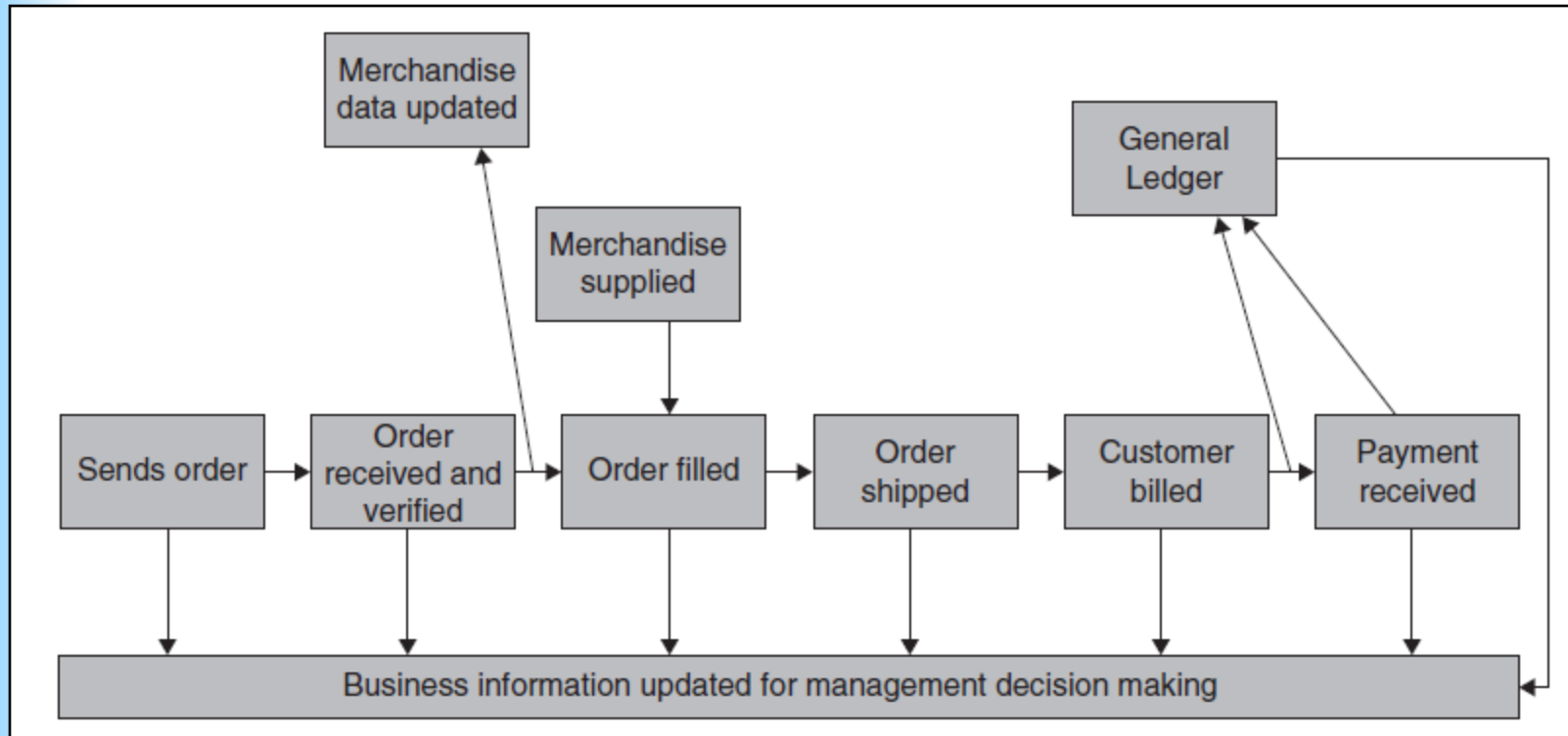
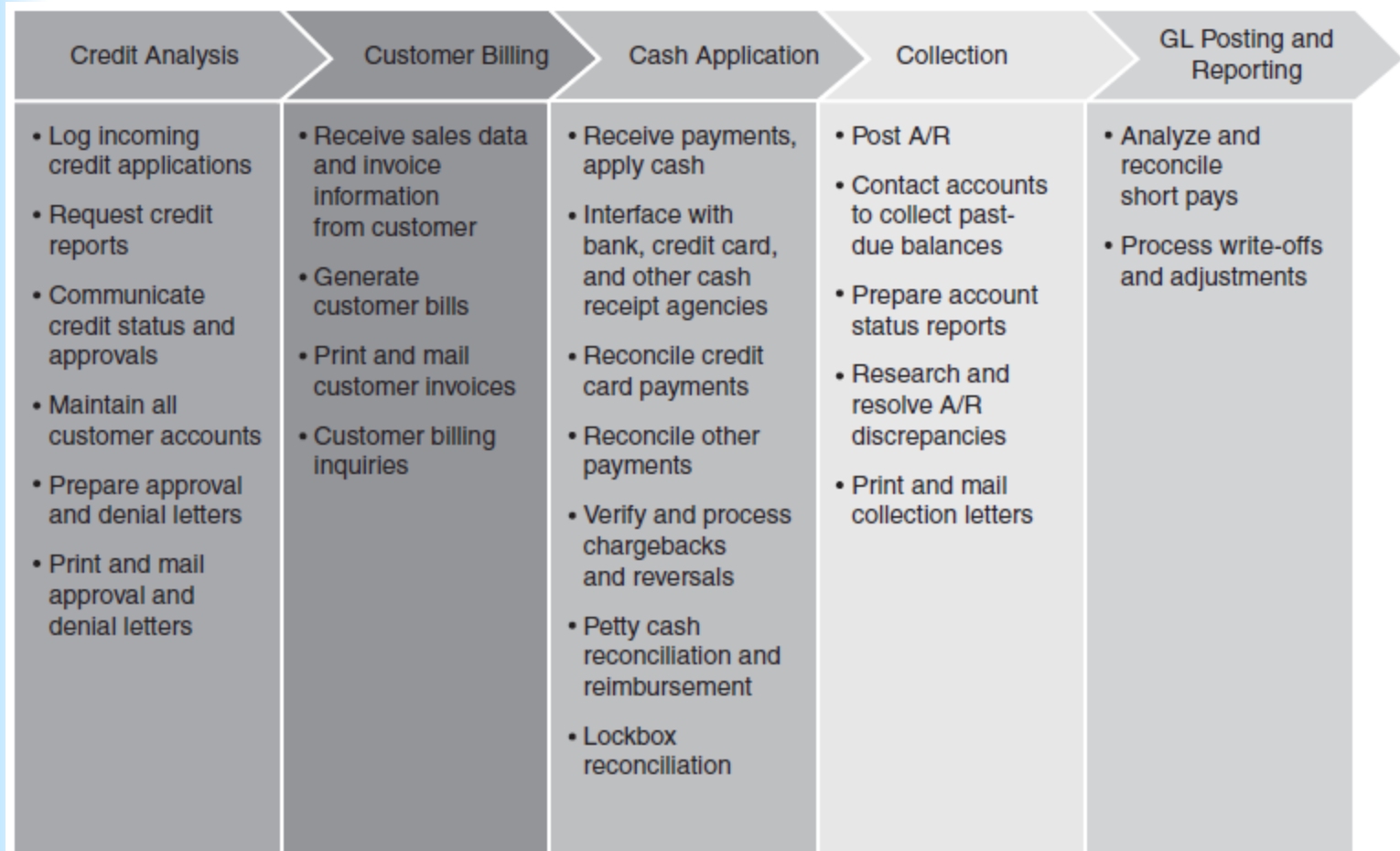


Figure 9-3 Dell's BPM System



Benefits of Implementing BPM

- BPM software aids in facilitating communication and synchronization resulting in high productivity.
- The employees become more efficient, because the workflow bottlenecks are removed using BPM software and thereby reducing the idle time of the employees.
- BPM software helps companies to cut costs.
- Employees feel better to work in an organized business processes architecture that was created using BPMS.
- Improved workflow results in better-quality products and services and thus makes customers happy.

Major Features of BPM

- Process modeling and simulation—Users can use the software to design processes that need automation.
- Systems integration—BPM software lets other information systems like ERP to be connected to the processes, and hence information can flow between the systems.
- User interaction and collaboration—BPMS has Web forms and other user interfaces to help the user to enter inputs and make other changes to the process.
- Process execution and monitoring—BPMS lets job to be routed through the process steps and sends notifications electronically and also tracks performance indicators of processes.

The Four Rs of Process

- Roles—establishing a set of defined user roles that will not change with employee absences or departures
- Relationships—identifying the interactions necessary to complete a process
- Rules—developing a fixed set of process steps that will be followed in most situations
- Routing—electronically transferring forms and documents for review, approval, and so on.

Implications for Management

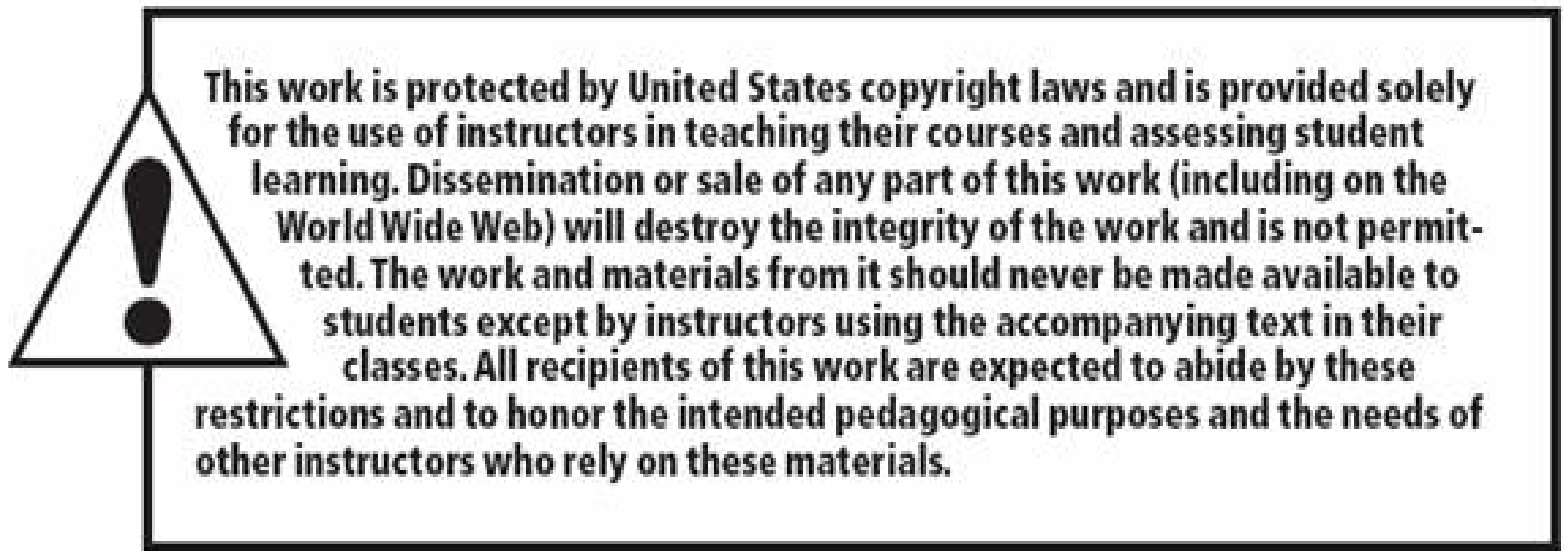
- Senior management buy-in and support is needed, but it must coincide with a strong rationale for change.
- OPM3 can help to assess the organizational skill set to implement an ERP system successfully, meeting the goals set out at the beginning of the project.
- Management involvement, especially in the communications to staff on the business process changes, will help to reduce staff anxiety.
- BPM can improve success of ERP implementation and institutionalize continuous change of business process in organization

Summary

- Business process re-engineering and organizational project management maturity model are tools that can assist a company in putting together a successful project
- BPR will help develop rationale for moving from a legacy system to an ERP system
- OPM3 will assess the company's skills and abilities to implement an ERP successfully.
- BPM will institutionalize small incremental changes to improve the success of ERP systems

Review Questions

1. What are the steps in business process reengineering?
2. Why is BPR important in an ERP implementation?
3. What does the organizational project management maturity model do for a company's ERP implementation?
4. What are the steps involved in OPM3?
5. What is the role of the project management office in an ERP implementation?
6. Why is change management critical to the success of a project from the beginning?



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