RISK FACTORS & BARRIERS TO PROCESS RE-ENGINEERING

The rope of re-engineering business processes has been underscored by the high powered Narsimham committee on restructuring of Indian banks and also by the Vasudevan committee on Technology issues. The Narsimham committee has recommended that the initiatives for Technology upgradation should be taken up along with reengineering of business processes. The Vasudevan committee has further suggested that the process reengineering initiatives should be monitored by the chairman of the bank and there should be close coordination among bank, RBI and IBA for implementing process re-engineering in banks. It needs to be noted that the success rate for BPR initiatives the world over is not encouraging and many efforts have been unsuccessful. This article seeks to review the research findings on why the BPR initiatives fail and what measures can be taken to prevent costly failures while banks in India make the beginning.

Risks associated with BPR projects

Process reengineering initiatives are undertaken with a view to achieving drastic improvements in the business process results. Cost reduction, time optimization, better service efficiency and increases in productivity are some of the major gains reported. However, there are serious risks in implementing business process re-engineering (BPR) projects. These risks are discussed below.

1) Financial risks

BPR projects are undertaken with a view to getting high returns on investment. However, the efforts do not necessarily yield the desired results as the returns on investment are often intangible and not quantifiable.

2) Technical risks

BPR projects are based on the use of Information Technology. However, it may so happen that the IT solutions oriented for process re-engineering are either not available or do not work to satisfaction.

3) General project risks

The organization taking up process re-engineering projects may not have the competence to implement the solution it is seeking or the BPR team which is entrusted with the project may not perform to the desired level.

4) Functional risks

Process re-engineering may need a reorganizational plan which may not be applicable to the kind of business in which the organization is engaged.
5) **Political risks**

Very often, the BPR initiative loses the support and commitment of the top management either due to change in leadership or due to change in perception. The process re-engineering projects lose the budgetary or personnel support and are finally given up. There is also the dimension of acceptability by the end user and operational staff who may resist the change.

**Barriers to process re-engineering**

Every organisation that undertakes process reengineering experiences barriers at each stage of process reengineering. The BPR projects normally progress in three phases as under:

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<td>Phase I</td>
<td>Improving efficiency of internal operations</td>
<td>Improving productivity, quality, speed and customer service as well as better business precision.</td>
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<td>Getting into new competencies</td>
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The transaction barriers are discussed below:

I) **Conceptual barrier**

The first & foremost barrier to process reengineering refers to the conceptual clarity about the project.

Process re-engineering requires a focal point without which transformation becomes a disjointed and stunted exercise. This barrier can be overcome only through having focussed long term vision which is supported by the entire organisation. In the absence of such a vision, the efforts taken by the organization can be an enlightened pursuit of operational excellence but these efforts would lack coherence and may therefore not yield drastic overall improvement.

II) Without sound financial justification the BPR processes are unlikely to be taken seriously. Often the benefits are more intangible, such as customer retention or customer acquisition costs. The gains in phase I can be quantified in terms of cost, productivity etc. However, the gains in the phase 2 and phase 3 should also be included in the business case. While preparing a business case, it is often desirable to integrate the same with the business vision, operating environment and development of infrastructure. However, tangible benefits are essential in preparing an
III) Organizational resistance

The earlier two barriers i.e. conceptual clarity and compelling business case relate to the top management. However, many BPR Projects encounter organizational resistance. This resistance is faced from the organizational units whose scale of operation or even existence are threatened by the BPR projects. Very often, the projects require cooperation among different cross-functional units which may be difficult to achieve.

Organization resistance can be overcome in different ways as under:

i) Benchmarking exercises, which can focus on performance shortfalls and support a case for significant change in operations. The gaps in performance can act as a catalyst for action.

ii) Using formal planning challenges
This technique seeks responses of individual functional units for planning challenges. These challenges should be linked to a broader vision or direction for the enterprise. Such formal involvement of the business units also identification of areas in which each functional unit can contribute to achieving broader objectives so that these responses can serve as a basis for identifying and aligning initiatives to the broader transformational thrust.

IV) Outsourcing

One of the tactics used to overcome organizational resistance is to outsource the product or service to an external source. Such decisions may often be linked to cost reduction. Such a shift may itself overcome the resistance. Outsourcing on the other hand can also be done to form strategic partnerships.

V) Development of Human Resources

The organizational resistance to process re-engineering can be effectively overcome through HR initiatives. The HR initiatives can also facilitate organizational transformation. Among the HR initiatives, training initiatives are often the key to successful transformation.

HR initiatives include massive training programmes, extensive communication and new measurement and compensation initiatives. Disciplined reinforcement of the initiatives is the key to successful business transformation.
VI  Customer Acceptance

Although organizational and financial barriers can be overcome, the ultimate test of process re-engineering rests with acceptance by customers for whom these initiatives are meant.

This barrier can be minimized or eliminated through different steps in the initial stages of project development. Strategic partnership with selected customers can help to ensure effective design and development of project and service offerings. It is necessary to carefully study the requirements of the customer which helps in overcoming this barrier. Electronic networking with selected customers is also adopted as a tactic to facilitate communication and introduction of new services.

VII)  Legal & Regulatory barriers

The process re-engineering efforts may face legal or regulatory barriers such as telecommunication restrictions, privacy acts etc. These barriers are difficult to overcome. Therefore, anticipation of such issues and joining public policy proceedings is necessary to avoid such barriers.

VII)  Technical barriers

BPR projects are based on technical solutions and technical breakthrough is necessary to achieve results. The technical shortcomings can stop such project completely. A careful monitoring of technology, planning and forecasting is necessary for the success of transformation programmes.

Philosophy of business transformation

Any process re-engineering activity must focus on the business process and infrastructure and the organizational structures and system should be redesigned for the desired result. The BPR initiatives are different from traditional approaches where the business problems are responded by organizational initiatives. In process re-engineering the business problem is given primary importance and organizational change follows the process re-engineering. Therefore, skilled leadership and management of organizational change are necessary for the success of process re-engineering. There is also the other dimension to managing the business process, which arises from factors external to the core activities of the organization. Mergers, acquisitions, diversification activities and new ventures are now common and the preferred way of lateral development of business. The competencies which the organization needs to have for process re-engineering and which it may not have in the existing business model can be acquired through acquisitions or joint ventures or by starting new ventures. This is more true about IT competencies which are central to any process re-engineering. However, such experiments are also undertaken in other areas of banking.
Classification of Barriers

The barriers to process re-engineering can also be classified as hard barriers which are difficult to overcome and soft barriers for which the organizations can evolve a strategy.

Hard barriers relate to problems related with the availability or capability of Information Technology, problems relating to availability of resources and legal or regulatory restrictions.

The soft barriers are barriers relating to internal resistance from the individuals or organizational groups or the external resistance from the customers or business partners.

Areas generating barriers to implementation of Business Re-engineering Projects.

The barriers to implementation of re-engineering projects are the results of underlying root causes which need to be identified if these barriers are to be overcome. The potential areas where the barriers may be encountered are discussed below.

1) Project Related Issues

The scope of the project as well as project management which defines the project set-up may lead to hard and soft barriers.

i) The project contents include the objectives of the project, selection of business problem for re-engineering and the introduction of information Technology. The project contents are the source of many business failures if the contents are not properly defined and communicated. The contents if they are too ambitious, lead to technical problems and in case they eliminate manual processes, lead to resistance from stakeholders who fear loss of job.

ii) Project management defines the approach to project implementation. It is necessary that project management should define a clear and measurable path which clears the doubts or fears in the minds of people since these are harmful for project implementation.

iii) The role of external consultant is often a barrier as the attitude, values and methods of consultants may differ radically from the client in which case there is resistance from staff. In case the consultant adopts the users culture, they face reluctance from the participants as they consider the involvement and solution as 'routine' and devoid of any innovation. The relationship between consultants and clients has to be established by the consultants as well as management in a subtle way. However, the consultant should not be used as a tool for manipulation of members in the organization.
2. **People Related Issues**

One of the major sources of business are the people who are affected by the organizational change. This is applicable to people from all levels in the organization.

Managers resist change under the belief that it may jeopardize their jobs or relative authority and status within organization. Staff workers may resist the change for the fear of unemployment or being made redundant. The behaviour of people is based on individual personality and norms of the groups to which they belong.

i) There is a common perception that the resistance comes mainly from the operative level. The resistance to change comes from the senior management level also when they find their experience and skills are no longer needed or their authority getting replaced. The resultant loss of status or redundancy of expertise is the reason why the top management pays lip-service to change but continue in their old autocratic ways.

ii) In contrast, the staff level resistance is mainly for clarity of role and job content.

3. **Organization Related Causes**

The organizational structure may cause barriers if it is inflexible towards changes in the operations. Large bureaucratic organizations tend to resist changes which have potential for altering existing structure.

The organizational culture is another potential barrier. The cultural leaders influence the thinking, decisions and actions of people working in any organization. The cultural factors bind the organization and their people to the past making progress in the future rather difficult. These cultural factors often alter. The strategic context in which the projects are positioned initially and thereby make the new process design redundant.

4. **Environment Related Causes**

The environmental factors such as Government policy, legal provisions, regulatory norms and guidelines and public resistance are external to the organization and pose barriers to process re-engineering. The business partners like the customers, vendors, etc. may also resist the process re-engineering projects consciously or unconsciously.

The environment in which process re-engineering is taken up may also change rapidly like ready availability of some resources or change in government policy towards import or deregulation of exchange and interest rates or liberalization, etc. which may make the project redundant.
The root causes of internal individual resistance to process re-engineering

Individual resistance against project contents and project management is cited as the second major problem in the successful implementation of process re-engineering projects. (The first being problems associated with Information Technology). This area is also identified by researchers as the area in which the maximum number of wrong decisions get taken.

Research in this area indicates mutual misunderstanding between BPR management and affected people of the major problem area. The managers undertaking process re-engineering consider resistance as a reflection of rigid and negative character of people whereas the people affected also have some opinion about the manager. The individual resistance is divided into different types as positive or negative and overt or covert. There is also a category of undecided people whose behaviour can be a combination of these four types.

This classification is based on the communication style and behavioural pattern. The communication style is reflected in the language used in verbal communication while as the behaviour is reflected by the acts of the people.
Although the language used may be an indicator of approach, it need not be an obvious indicator. Soft and mild language need not necessarily mean a constructive approach just as harsh language need not necessarily mean a negative or destructive approach. Similarly the communication may be open or veiled i.e. overt or covert.

It is necessary to identify the type of individual resistance and take remedial action accordingly, instead of generalizing all resistance as destructive. It is also necessary to take cognizance of the undecided category since it has the potential to turn any side of these four personality types.

i) **Behaviour of a critic**

A critic communicates openly and shows a constructive approach towards the goals of the project. Although a critic may not agree with different aspects of project approach or management, he contributes ideas to the project. Project critic is a very valuable individual for the project's success.

ii) **Behaviour of a skeptic**

A skeptic is doubtful about various aspects of the project content or project management but is not vocal about these doubts. These people are required to be involved by the project manager through requests and invitations since skeptics also can contribute to ideas towards the outcome of the project.

iii) **Behaviour of a terrorist**

This category of resisters is often vocal about the negative outcome of the project. These people express their dislike for project objectives as well as project management and also announce their own line of resistance. These resisters should be taken seriously by the project management and also announce their own line of resistance. These resisters should be taken seriously by the project management team and persuaded in time to avoid any friction in future.

iv) **Behaviour of the Saboteur**

Unlike a terrorist, a saboteur is not open about his resistance to the project or his own to resist the same. Although such people are a few in any organization, it is necessary to carefully watch such people who can sabotage the plan when implemented.

v) **Behaviour of undecided**

The behaviour of this group is shaped by the outcome of the project. When the project is successful, this group tends to be positive. In case of any signs of failure such groups tend to be destructive in their approach.
Root causes for resistance

It is necessary to identify the root causes for both constructive and destructive resistance.

Barrier 1 Constructive resistance

The overt or covert but constructive resistance can be traced to the domains of project management, individual person and organizational culture.

Root cause 1: Project Management

The resistance of the affected people may be related to the style in which the project is being managed. There may be demand for openness and transparent communication so that people can freely express their views about the contents of a project.

Root cause 2: Personalities of affected people

Well trained and educated people express in ways that help the project outcome. Although such members may not be at ease with the project, they are valuable members for the organization. Often the nature of the person may prevent him from expressing his views openly although he may have some valid objections to the contents of the project.

Root cause 3: Former experience

Past experience of earlier projects may influence the behaviour of the people. If the experience is negative, the approach towards the new project is also negative. Further, success of an earlier project may lead to the belief that there is no need for change. Thus the perceptive approach of the new people may differ from the approach of the existing set of people.

Barrier 2: Destructive Behaviour

The overt or covert destructive resistance to process re-engineering can be traced back to the domains of project content, project management, the individual person, the group and structure of the organization which in turn affects the culture of the organization and the public at large.

Root cause 1: Project objectives
If the objectives of the project overlook the people aspect and are directed only toward technological goals, the approach of individuals as well as groups would be negative and behaviour would be destructive. such goals must be aligned with project goals.

**Root cause 2: Choosing the momentum for change**

Any re-engineering project which seeks to bring in operational changes alters the working style. The management should keep the pressure and maintain the momentum till the change is accepted and institutionalized. There is always a tendency to slip back to the old style.

**Root cause 3: Destructive personality**

There is always a possibility that in an organization where destructive behaviour is supported, the people would tend to have destructive behaviour although they may not have a destructive personality/ Therefore, it must be ensured that destructive behaviour is not supported within the organization. also people with a destructive personality should be watched carefully so that they cannot damage the organizational efforts.

**Root cause 4: Group pressure**

Group pressures and group norms may compel the group members to behave destructively. Here the remedial measure should be to reduce group pressure and encourage individual action.

**Root cause 5: Loss of power over people**

If the re-engineering project changes the process by which an individual losses his supervisory control or power over other people, an affected individual may react covertly to sabotage the results of such an initiative. In a situation like this it is necessary that the new person may be given a new role with new responsibility. such new role or new responsibility should not be identified with a loss of power.

**Root cause 6: Loss of Acceptance**

Loss of power over people often results in a loss of status in the world outside the work place. such a feeling can affect the decisions and actions of the affected person in the negative direction.

**Management style which affects the behaviour of people**
Process re-engineering projects seek to meet the customer needs and create an organizational structure, which meets these demands. This organizational restructuring has an important human dimension, which should not be ignored. The belief that redesign of business would by themselves change the organizational structure, culture, motivation or behaviour has been proved incorrect in most of re-engineering projects and such an approach is considered risky for the success of such projects. also, the projects that focus on technical design and consider people aspect only to the extent of implementation of technical designs, run a risk of failure.

The bureaucratic management style which believes that changes are linear in nature and can be controlled by an individual does not suit project implementation. Emotional and personal issues have an important part in organizational change and for evolving a proper change of process, it is necessary that organizational members be involved in the process of bringing organizational change.

Similarly the management should also acknowledge the emotional and personal issues without considering their expression as resistance to change. The strategies such as using authority and power, deal-making or manipulation to ensure compliance does not work since it cannot gain the support needed for the change.

Thus managing the resistant behaviour barrier for process re-engineering requires adoption of a modern approach which reorganizes the valid concerns of affected people. A traditional top-down management approach wherein the top management considers itself to be rational, objective and innovate and considers emotional and personal issues as traditional has proved to be unsuccessful in most cases. The modern literature on process management acknowledges 'People factor' as a 'Critical success factor' for process re-engineering projects.

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