

Process Re-engineering for Long-term Profitability

The two critical factors which transform process improvement efforts into long-term profits are breadth and depth of the process redesign.

Depth:

To achieve a satisfactory outcome, the redesign effort must penetrate to the company's core and fundamentally change six (6) crucial organisational elements or **depth levers**:

1. Roles and responsibilities
2. Measurements and incentives
3. Organisational structure
4. Information technologies
5. Shared values
6. Skills

The empirical evidence shows that less than satisfactory redesign efforts were:

- Aimed at too narrowly defined processes;
- Changing only one or two depth levers;
- Measuring improvements relative to the process being redesigned rather than the Business Unit as a whole; and
- Not employing performance tracking mechanisms to measure results.

Also, the successful redesign efforts were:

- Seeking performance improvements along multiple dimensions: cost, revenue, time and quality; and
- Sufficiently broad and deep

Breadth:

This refers to activities that are critical for creating value in the overall business unit. An activity can be a single activity in a single function or broadly defined as the entire business system for the business unit.

The breadth of redesign effort is important for two reasons:

- The inclusion of more activities are likely to extend improvements throughout the Business; and
- The inclusion of interrelated activities in a process may lead to incremental opportunities that would not surface in single-function performance improvement efforts.

Diagnostic Phase:

Identify:

- A few (2 or 3) measurable elements that deliver customer value applying Pareto's 80/20 Principle:
- What defines the company's competitive advantage, the value proposition; and
- Areas short of customer expectations, management aspirations and competitor performance.

Avoid wasting effort in redesigning processes less critical to maintaining competitive advantage.

Planning & Implementation Issues:

To achieve more than satisfactory results, the redesign effort must develop adequate:

- Depth;
- Breadth; and
- Committed leadership to change

The depth of the redesign effort refers to **how many** and **how much** of six depth levers.

The redesign must focus on complete restructuring of the key behaviour drivers. Manipulation of all six depth levers for desired behavioural change normally produces best results. Also, effective transformation of six depth levers requires a clean-slate approach to process redesign.

References:

1. Thomas H. Davenport, *Process Innovation, Reengineering Work Through Information Technology*, Harvard Business School Press, 1993

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