Business Process Reengineering In Corporates In India-A Case Study Approach  
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Abstract

The globalization of economy and the liberalization of trade markets have formulated new conditions in the market place which are characterized by instability and intensive competition in the business environment. Competition is continuously increasing with respect to price, quality and selection, service and promptness of delivery. Removal of barriers, international cooperation and technological innovations cause competition to intensify. All these changes impose the need for organizational transformation, where the entire processes, organization climate and organization structure are changed. Business Process Reengineering is necessary to be flexible to adapt to changing global and competitive environment. Reengineering is a fundamental rethinking and radical redesign of business processes to achieve dramatic improvement in cost, quality, speed, and service. This paper explains the BPR application in corporates in India i.e., in Mahindra &Mahindra and icici bank.

Key words: Business process reengineering, Corporates in India

Introduction

Business process Reengineering is quite a new research subject and methods for applying it are developed very fast. It consists of modifying designs of the components so that they become integrated into a form such that the managerial characteristics of the products satisfy the values desired by the target market. Reengineering consists of integrating the productive resources of a current business process so that the products made are focused on the target market and generate the expected profits. Michael Hammer is the founder of the notion called business process reengineering in the 1990. They define the BPR as “the fundamental rethinking and radical redesigning of business process to achieve dramatic improvement in critical contemporary measures of performance, such as cost, quality, services, and speed”. Homeas H. Davenport defines the BPR terms as “encompasses the envisioning of new work strategies, the actual process design activity, and the implementation of the changes in all its complex technological, human, and organizational diminutions”. BPR present the thought about the existing functioning environment and business Process, on the foundation of this information the organization can take the judgment and decide to redecorate the business process according the new plans and objectives to attain the new landmark in their business.

Review Of Literature

Hales and Savoie and Irani, Sharp, and Race, argue that Business Process Reengineering (BPR) is a fascinating concept that has the potential to “save” a “failing” company and lead it to survival and growth, with Farmer [4] and De Bruyn and Gelders reporting empirical evidence to substantiate the “value” of BPR. A variety of definitions of BPR have been proposed in literature [6-9], but the one cited as being normative comes from

Hammer and Champy defines BPR as: Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed. Process is a structured and measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on how work is done within an organization. Reengineering is used to achieve several improvements simultaneously:

- Business Process increases sales effectiveness
- reduces business operating costs
- improves customer service • improves quality
- exploits new technologies
- copes with mergers and restructures
BPR is a vehicle with which to improve performance through radically redesigning strategic, tactical, and operational processes, together with the procedures, policies, structures, and infrastructure that support them. Business-process reengineering is cited as offering organizations a whole host of benefits (strategic, tactical, and operational) with differing natures (financial, nonfinancial, and intangible). Such benefits include improved quality of products, processes, flexibility gains, reduced costs, and improved efficiency and effectiveness. One of the main problems is to take the decision if a process needs to be reengineered or not.

Smith indicates that a major aspect of BPR is the human element. There is need for a more systematic and rigorous assessment of the factors deemed important to project success. In trying to avoid BPR failure,

Guimaraes presents critical success factors for BPR, together with those issues that are regarded as factors important in securing BPR project success. The keywords for Business Process Reengineering are \textquoteleft fundamental\textquoteright, \textquoteleft radical\textquoteright, \textquoteleft dramatic\textquoteright, \textquoteleft change\textquoteright, and \textquoteleft process\textquoteright. A business process has to undergo fundamental changes to improve productivity and quality. Radical changes, as opposed to incremental changes, are made to create dramatic improvements. BPR focuses on the whole process starting from product conceptual stage to final product design. It provides the opportunity to reengineer the process or to reduce radically the number of activities it takes to carry out a process with the help of advanced Information Technology.

Reengineering encompasses the envisioning of new work strategies, the actual process design activity, and the implementation of the change in all its complex technological, human, and organizational dimensions.

According to Elzinga et al., BPR is a structured approach to analyzing and continually improving fundamental activities such as manufacturing, marketing, communications and other major elements of a company’s operation.

Wright and Yu define the factors to be considered before actual BPR starts and have developed a model for identifying the tools for BPR.

Francis and McIntosh have identified causes for the emergence of BPR such as consumers, competition (global), technological development, and IT.

Childe et al. Have presented frame-works for BPR that focus upon the sequence of activities that form business processes. In earlier studies, Hall et al. Define three critical determinants of successful BPR projects.

Maull et al. Have conducted a survey of 25 UK companies in order to determine the critical success factors for BPR.

Teng has developed a model for strategic perspectives on BPR to enable organizational changes including process changes.

Elahee and Gupta have discussed six major success factors for BPR. Yoon et al. [31] presented eight success factors for expert systems used in BPR. The conceptual models have been widely employed to understand the concept of BPR and its major enablers.

Broadbent et al. has developed a conceptual model and a framework for highlighting the role of IT in reengineering. This includes how IT can improve the reengineering of a business process in a more generic term.

Yu and Mylopoulos proposes a framework using AI techniques that focus on the modeling of strategic business processes in their organizational settings.

Kesler presents a model and a detailed process for redesigning human resources functions by contracting with line executives for new roles and by upgrading the competency of the human resource management staff while reengineering the HR delivery systems.
Malhotra et al. propose a conceptual framework that facilitates innovation, flexibility, and an understanding of reengineering of the product development planning process. The framework was then refined and finally presented based on feedback from five experts in the high technology electronics industry. From analyzing the literature on conceptual models, one can observe that most are focused on strategies and methods for reengineering. In addition, conceptual models are much broader in their approach and deal with information flow and human resource management but are less accurate.

Objectives Of The Study

1. To study the Business process reengineering trends in India
2. To study the Business process reengineering process implemented in India.

Case study 1. Mahindra & mahindra

M&M was started by two brothers J.C and K.C Mahindra. The company has started off as manufacturer of general purpose utility vehicles and carried a production capacity of 75 Jeeps in 1948. Over the period they diversified in to hotels financial services auto components IT infrastructure and trading. In 1994 the co established Mahindra USA to promote tractor sales worldwide.

Top management philosophy was to strengthen the competitive position in the domestic market before launching an ambitious globalization program. It realized that they had the opportunity to become a truly global brand.

In 1994 a BPR exercise started a change in the functional to SBU structure as a result 6 autonomous SBU’S were formed with empowered presidents for each SBU to provide direction for the future growth of various business lines.

Restructuring- Core and Non-core business

<table>
<thead>
<tr>
<th>Core business</th>
<th>Non – core business</th>
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<tbody>
<tr>
<td>Automotive</td>
<td>MUV’S and SUV’S</td>
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<tr>
<td>Farm equipments</td>
<td>Tractors ,farm equipments</td>
</tr>
<tr>
<td>Trade and financial</td>
<td>Imports, exports finance leasing and hire purchasing,</td>
</tr>
<tr>
<td>service sector</td>
<td>domestic, trading and marketing</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Real estate and infrastructure business, project</td>
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<tr>
<td>and development</td>
<td>management and engineering</td>
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<tr>
<td>IT and Telecom</td>
<td>ERP, SCM, CRM, PLM Information security services, IT</td>
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<td></td>
<td>facility management</td>
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<tr>
<td>Automotive components</td>
<td>Manufacturing of stamping , moulded components, propeller</td>
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<td>drafts, clutches</td>
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- Project Vishwajeet a major restructuring program conceptualized by McKinsey to turn M&M into a leading tractor producer by 2005. As part of this strategy Farm equipment business was divided into five divisions
  1. Marketing and customer relations
  2. Manufacturing and supply chain
  3. Product development
  4. R&D services
  5. Performance management and international operations

- M&M set up a corporate turnaround Programe office and articulated need for sharper focus on financial returns. Due to this a restructuring exercise called Blue chip was initiated to raise the bar on performance.
• Bench marks like market share, sales and profits were replaced by ROCE. A policy was imposed which stated that businesses had to compete for capital—those with the highest returns will get the capital.

• Operations were overhauled, M&M undertook cost cutting and streamlined its manufacturing facility

**Elements Of Strategy Formulation**

<table>
<thead>
<tr>
<th>Prior to BPR</th>
<th>After implementing BPR</th>
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<tbody>
<tr>
<td>Multi layered</td>
<td>Flat</td>
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<tr>
<td>Work divided among different people</td>
<td>One person given responsibility for entire process</td>
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<tr>
<td>Functional departments</td>
<td>Interdisciplinary teams</td>
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<tr>
<td>Less training</td>
<td>More emphasis on training</td>
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<tr>
<td>Performance were not measured</td>
<td>Performance management system</td>
</tr>
<tr>
<td>Less New blood</td>
<td>More new blood—retiring and fired</td>
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**Results after BPR implementation**

• Tractor division undertook a major cost cutting exercise and bought down Bep from 54000 to 35000 units.

• Net sales for first half of 2004 increased by 28% operating profit was by 34%.

• M&M stock touched a high of Rs 112 a year ago

**Case Study 2: ICICI Bank**

**Company profile**

ICICI bank formerly (Industrial Credit and Investment Corporation of India) is a major banking and financial services organization in India. It is the fourth largest bank in India and the largest private sector bank in India by market capitalization. The bank also has a network of 1700 plus branches and about 4721 ATM’s in India and present in 19 countries with 24 million customers.

ICICI is one of the big four banks of India along with state bank of India, Axis bank and HDFC bank as its main competitors.

**Reasons for implementing BPR in ICICI bank**

• BPR was implemented in ICICI bank in year 2000 and later when anytime, anywhere banking came to our country, ICICI bank had to move away from the branch centric model and make its services available nationwide. The solution was to centralize its applications.

• Legacy Systems: The traditional systems at ICICI bank were very centric to the branch. ICICI realized the importance of offering nationwide banking but this would be possible only by having a centralized data repository.

**Teams involved in BPR implementation**

• Infosys is one of the technology partner for ICICI bank which gave the assistance to implement Finacle for handling all the bank activities

• Bill desk for online payments

• SYBASE

• SAS

**Solutions**

• Finacle- a core banking and universal banking solution from Infosys.

• The network follows a hub and spoke architecture- a mix of VSAT’S (Very small aperture terminal), leased lines, ISDN and radio links. It has around 800 leased lines about 600 VSATs, approximately 800 ISDN lines and multiple 34Mbps lines

• UNIX is the preferred OS for most of the hardware while most of the database use Oracle with a few on Sybase and MS SQL
ICICI bank has grown immensely over a period of time. First time in history a private bank has merged a public sector bank.

On 23 May ICICI Bank announced merger with Bank of Rajasthan with it through share-swap in a non-cash deal that values the Bank of Rajasthan at about Rs 3,000 Crores. Each 118 shares of Bank of Rajasthan will be converted into 25 shares of ICICI. It is said that this merger will also expand ICICI Bank's branch network by 25%. ICICI Bank is also carrying out its activities in Rural Areas by helping SHGs (Self Help Groups) and in other microfinance activities.

Case Study 3: BPR in State Bank of India:

The State Bank of India is the oldest and largest bank in India, with more than $250 billion (USD) in assets. It is the second-largest bank in the world in number of branches; it opened its 10,000th branch in 2008. The bank has 84 international branches located in 32 countries and approximately 8,500 ATMs. Additionally, SBI has controlling or complete interest in a number of affiliate banks, resulting in the availability of banking services at more than 14,600 branches and nearly 10,000 ATMs. SBI traces its heritage to the 1806 formation of the Bank of Calcutta. The bank was renamed the Bank of Bengal in 1809 and operated as one of the three premier "presidency" banks (the presidency banks had the exclusive rights to manage and circulate currency and were provided capital to establish branch networks). In 1921, the government consolidated the three presidency banks into the Imperial Bank of India. The Imperial Bank of India continued until 1955, when India's central bank, the Reserve Bank of India, acquired the majority interest in the bank and changed its name to the State Bank of India (SBI). In 1959, the Indian government passed the State Bank of India Act, resulting in the acquisition (majority shareholding) of eight state-affiliated banks and the creation of the State Business Process Reengineering for Retail Bank IDRBT Page 32 Bank of India Group (SBI Group). The SBI itself is now majority owned by the Indian government, which purchased the shares held by the Reserve Bank of India. Unlike private-sector banks, SBI has a dual role of earning a profit and expanding banking services to the population throughout India. Therefore, the bank built an extensive branch network in India that included many branches in low-income rural areas that were unprofitable to the bank. Nonetheless, the branches in these rural areas bought banking services to tens of millions of Indians who otherwise would have lacked access to financial services. This tradition of "banking inclusion" recently led India's Finance Minister P. Chidambaram to comment, "The State Bank of India is owned by the people of India." A lack of reliable communications and power (particularly in rural areas) hindered the implementation of computerization at Indian banks throughout the 1970s and 1980s. During this period, account information was typically maintained at the local branches with either semi automated or manual ledger card processing. During the 1990s, the Indian economy began a Period of rapid growth as the country's low labor costs, intellectual capital and improving Telecommunications technology allowed India to offer its commercial services on a global basis. Objective of BPR

To enhance customer service levels and experience by simplifying processes and offering multiple delivery channels
To build deep and lasting relationship with customers
To improve productivity through increase of business and profit per employee
To Free up time of Branch and Branch Manager to focus on sales and marketing
To acquire new quality customers

Pillars of BPR
i) Branch Re-design
ii) Centralised Processing Centers
iii) Alternate Delivery Channels
iv) Customized products Business Process Reengineering for Retail Bank IDRBT Page 33

Branch Re-design: As a part of BPR initiative taken in bank branch has been redesigned to cater the needs of customer in effective way and some new job roles has been introduced. Types of Branches after Redesign
Core Sales and Service Branch (SSB)
A self assisted outlet- Mini Branch operated by 1-2 staff and supported by a full suite of alternative channel access devices (ATMs, call center link, internet kiosk etc.) Sales focused outlet located in high traffic areas
Product specific outlet such as home loan center, locker center
Role of Branch Manager
Spend 60% of his time in acquiring valuable customers and up-selling/cross selling to top customers of the branch Role of Manager
(Branch Operation)  Allocation of staff duties to ensure that branch operates normally despite leave
Complete responsibility for maintaining desired customer service levels in the branch (e.g.,
transaction time, waiting time for customers etc.)  Authorizing transactions beyond the power of Single
Window Operators
Handle customer grievances on service which cannot be solved by Single
Window Operators/Grahak Mitra  Ensure proper upkeep of branch premises
Manage vendors and suppliers of the branch to ensure that there are no disruptions in branch work
Ensure that staff administrative matters including leave records and staff records are in order
Follow-up to ensure that all pending work in the Branch like IOA memos, unreconciled GLIF entries are completed promptly
Joint custodian of vault and ATM
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Role of Customer Relation Officer (CRO)  To cross-sell to all walk-in customers of the Branch, To
spend at least 20% time in proactive cross-selling products to the top customers
To handle transactions where there is a significant interaction and an opportunity to cross sell to the customer.
Role of Single Window Operator:  To be a Single touch-point for customers for transaction related
needs viz. cash receipt and deposit, pass book update, Draft/BC issuance, Government Challans,
Accepting ATM card requests  Grahak Mitra will support the single window operators by managing
queues, provide forms/vouchers to customers and help customers with use of alternate channels
Role of Relationship Manager (Personal Banking) :  To provide relationship based services to top 300
(approximately) high value P segment customers  To get new high value customers for the Bank

ii) Centralised processing centers: In 2002, bank management approved the KPMG-recommended
strategy for a new IT environment that included the implementation of a new centralized core banking
system. This effort would encompass the largest 3,300 branches of the bank that were located in city
and suburban areas. The technology advancement allowed bank to establish centralised processing
center which reduced TAT.

Some of the central processing centers are given below Liability Central Processing Centre (LCPC)

- Retail Asset Central Processing Centre (RACPC)
- Small and Medium Enterprise City Credit Centre or SMECCC
- Centralised Pension Processing Cell (CPPC)
- Trade Finance Central Processing Centre (TFCPC)
- Stressed Assets Resolution Centre (SARC)
- Business Process Reengineering for Retail Bank IDRBT Page 35 Currency Administration Cell
  (CAC)
- Centralised Clearing Processing Centre (CCPC)
- Document Archival Centre (DAC)
- Centralised Settlement
- & Reconciliation of PPF transactions (CSRP) Home Loan Sales Team (HLST)
- Inward Remittance Cell (IRC)
- Mid-Corporate Loan Administration Unit (MCLAU)
- Because of this banks can specify the exact TAT for each operation. List of TAT for asset based
  product for the bank is given below Home Loan – 6days, Education Loan- 5days, Mortgage, & Rent
  Plus- 6 days Auto Loan – 2days

iii) Alternate Delivery Channels: Delivery channel is where a customer gets the service from the
bank where he can perform a banking operation. Traditionally in banking branch is the only
delivery channel but because of technology changes, new channels called alternate channels
emerged which includes ATMs, internet banking, Mobile banking, POS (Point Of Service), call
center and social media banking. The main advantage of migrating to other channels is cost
involved with that. When a customer walks-in to a bank to withdrawal money, cost incurred to
bank is as high as 200 Rs per transaction where 20 Rs in ATM and 4-6 Rs with other channels.
Along with this cost benefit banks can also earn income from other banks by transactions
happened that through their alternate channels. An alternate channel also improves customer
satisfaction because one can use banking services at his convenient time and place
The steps followed in making a new distribution channel successful:

- Understand customers’ current channel/transaction behavior and their underlying attitude;
- Use sophisticated experimental customer research to assess the economic impact of tactics designed to change that behavior;
- Develop an integrated channel migration plan which blends economic and noneconomic incentives to ensure that right initiatives are targeted at the right customers;
- Protect sales effectiveness by utilizing the ability of non-branch channels to select amongst prospects and differentiate the marketing message;
- Design non-branch channels to emphasize personalized interaction to counteract decreased loyalty among remote customers;
- Develop tracking mechanisms to allow you to assess and revise your migration strategy on an ongoing basis.

Delivery channel gains mass acceptability and is user friendly; the bank can use it to cross-sell it’s as well as others' products. For example, banks have already started dispensing railway tickets, movie tickets through their ATMs. In future a bank’s ATM would function like a kiosk delivering more of non-cash transactions, thereby simultaneously reducing the fixed and operating cost of ATM.

iv) Customized Products: BPR initiated SBI to made customized product to the customer, initially traditional banking products like Savings Account, Current Account and other products were available to the customers. As market is evolving BPR initiated banks to provide different products like credit card, insurance products, mutual funds and DeMAT accounts to customers made available. BPR made banks a Financial Super Market which enhanced customer satisfaction and improved revenue through fee

References