

Business Process Restructuring – An Overview of Applied Processes and Methodologies

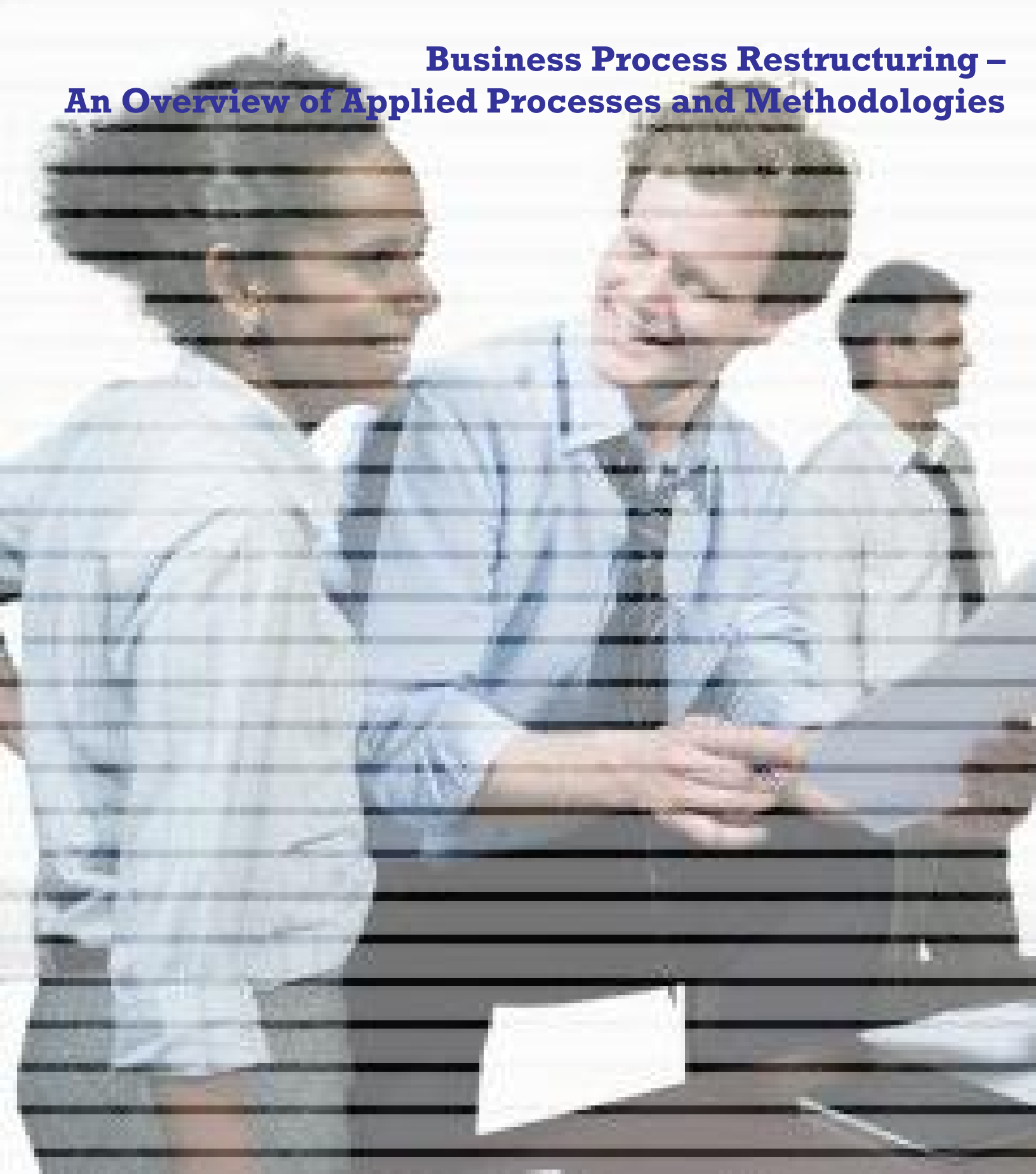


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Positioning Statement

Business process restructuring is often defined as an evolutionary trend, quite akin to the industrial revolution of the past and the rapidly transforming informational age of the present. However, when analyzed in detail, it also becomes obvious that ongoing restructuring exercises are more of a reflex action in response to Globalization, intense competition, and rising business complexity. Opinions may vary, but the fact is that over the past decade, business process restructuring has proven itself as the most effective tool for developing and sustaining business competencies, reducing operational costs and augmenting efficiency. This whitepaper will highlight the processes, tools, techniques and concepts that help achieve critical business objectives described above.

Introduction

With Globalization, competition has increased substantially, forcing businesses to develop suitable adaptability with their immediate business environment. On the one hand, there are the customers with their ever-changing needs and on the other there is the market itself, which is constantly redefining the basics of evolution. Since success depends on how well adaptations are carried out to suit the ever-changing dynamism of these two factors, it becomes essential that existing business processes be reviewed and analyzed on a regular basis. The basic aim should be to assess the overall effectiveness of critical business processes and to check whether or not they can be improved upon. If there is scope for improvement, business process restructuring automatically becomes the next step, because it not only helps improve process efficiency and quality, but also allows businesses to achieve significant cost savings.

Business Process Restructuring – Outsource or Insource

When finally the decision is made in favor of business process restructuring, the next big question that confronts businesses is whether to hire services of a third party service provider or to create an inhouse team for carrying out the targeted restructuring works. While insourcing may provide complete control over ongoing restructuring exercises, it is presently not the preferred choice for businesses. The obvious reason is that it lacks the merits of outsourcing, which has become widely popular worldwide in recent years. Described below are some critical factors that tilt the balance in favor of outsourcing:

Insourcing may not be suitable because...

- ✓ Restructuring exercises require special expertise, domain knowledge and talent that may not be available inhouse
- ✓ Organizational members may treat restructuring exercises as part of their daily routine, something that can easily breed complacency
- ✓ Change is naturally resisted and organizational members may display the same sentiments during restructuring exercises
- ✓ Members of the senior and top management members may not be able to provide quality time as is needed for planning and actualizing restructuring exercises
- ✓ Involving organizational members in restructuring may result in loss of essential resources such as man-hours, which can adversely affect productivity and profitability
- ✓ The prevailing command and control lines may get affected, resulting in haphazard distribution of duties and responsibilities
- ✓ Businesses may not have the required domain experience in initiating and successfully completing restructuring exercises

Outsourcing is preferred because...

- ✓ It allows businesses to reduce operational costs, apart from making processes more efficient and productive
- ✓ It reduces the total number of sub-processes, something that allows businesses to make optimal utilization of essential resources such as man-hours
- ✓ Third party outsourcing firms rely on trained and skilled professionals who are well aware of the specific needs and requirements of restructuring exercises
- ✓ With most professionals having years of domain experience, it becomes easier for them to achieve targeted restructuring goals and objectives such as increased customer satisfaction
- ✓ Statistically also, it has a greater success rate as compared to restructuring projects that were insourced
- ✓ Rising competition is forcing businesses to concentrate more on their core competencies, something that can be achieved only when non-core processes are outsourced
- ✓ Technological advancements have blurred geographical boundaries, allowing businesses to seek the most cost-effective services irrespective of the actual location

Applied Processes and Methodologies

Listen to specific needs and requirements:

- ✓ Every business has specific needs and requirements and it is always beneficial to include these while finalizing restructuring plans and strategies
- ✓ Promoting inter-personal communications is the easiest and the most cost-effective means to understand specific business needs and requirements
- ✓ It is necessary because customer profiles are usually different for each individual business entity, something that requires increased customization
- ✓ Needs and requirements constantly keep changing and it helps to have a proactive plan ready from the very beginning
- ✓ Achieving desired goals and objectives becomes easier, something that allows both the client and the service provider to improve future prospects

Forge sustainable business relations:

- ✓ While a contractual agreement is always necessary for avoiding associated risks, it helps to view the whole affair as more of a partnership rather than a limited-period, business contract
- ✓ A business relationship that borders around a partnership helps service providers understand the finer details such as work culture, customer needs and expectations etc, which are prerequisites for providing optimized outsourcing services
- ✓ Building trust and a feeling of shared business interests that are vital for sustaining long-term business relations can be made easier by following basic the principles of a partnership

Start with pilot projects:

- ✓ Every project has certain hidden dependencies that need to be identified prior to the actual initialization of the project. Since stakes are often high, it is always better to start with small pilot projects
- ✓ The size of pilot projects can vary, but what is necessary is that the basic goals and objectives should be more or less the same as the main project
- ✓ Pilot projects can provide critical insights and valuable process data, allowing both the client and the service provider to confidently carry on with the main project
- ✓ The size and other details of the pilot project should be finalized in the presence of a senior member from the client side

Evaluate results and get feedback:

- ✓ Depending on resource availability, both manual and automated systems need to be installed for monitoring results achieved through the pilot project
- ✓ Discrepancies, if any, need to be analyzed in order to assess their damage potential and devise appropriate solutions for them
- ✓ Pilot projects may be controlled experiments, but they still need to be given the required attention, because the success of the main restructuring project depends on it
- ✓ While initial failures may dent motivation levels, they should not be used as a reason for canceling the entire main project, although it is necessary that reasons for failures be identified and be taken care of

Install intelligent systems for full-scale implementations:

- ✓ The pace of advancements in Information Technology and Telecommunications sectors has increased dramatically over the past decades, resulting in the development of many useful products and services. These need to be installed and put to good use for ensuring the success of the restructuring project
- ✓ However since reducing operational costs is one of the primary objectives of restructuring exercises, it would be better if only those systems are installed that are both affordable and effective. Maintenance costs also need to be assessed before actually investing in an intelligent service delivery system
- ✓ Customer needs and requirements should be given priority while choosing an appropriate service delivery system

Monitor progress made and identify discrepancies:

- ✓ Since a restructuring exercise can never be called successful until and unless the desired goals and objectives are achieved, it is always wise to constantly monitor progress made
- ✓ Chances of discrepancies are low if the prescribed guidelines are followed, but since there is always a slight chance, it would be better if efforts are made to identify current and potential discrepancies
- ✓ Even more effort needs to be applied for evolving innovative solutions that can work around potential problems and issues without increasing the overall cost of operations
- ✓ Time is precious and it would help if discrepancies are corrected as soon as possible after identification

Assess scope for process value additions:

- ✓ A business process restructuring project may already be doing quite well, but since its sustainability depends on the available potential to introduce more value additions, it makes sense to be proactive and make regular assessments of applicable value additions
- ✓ Once the potential for value additions have been identified, it needs to be communicated to the client as soon as possible for getting the green signal. Identified value additions often have a limited shelf life and it helps if their potential is realized before their expiration date
- ✓ Only when the client sees more benefits coming his way, will he give his approval for expanding the scope of ongoing restructuring projects

Make way for improved integration with other processes:

- ✓ In the larger interest of the business, it is always better to put in extra efforts for integrating restructuring exercises with other critical processes of the business
- ✓ Restructuring exercises should be viewed as a part of a complex setup and as a critical function complementing the core processes rather than a standalone event
- ✓ For improved integration, both the client and the service provider need to work together by sharing vital data and information and valuable inputs, suggestions and feedbacks
- ✓ Improved integration will make it easier to achieve targeted organizational goals and objectives and may even help to look beyond them

Benefits of Business Process Restructuring

Business process restructuring offers wide-ranging benefits, some of which are described below –

- ✓ Cost savings is the primary benefit, something that boosts the competitiveness of offered products and services
- ✓ Process improvements increase efficiency, which results in optimal utilization of critical resources such as man-hours
- ✓ Quality gets a boost as well, which in turn increases customer satisfaction, a prerequisite for ensuring both short-term and long-term business success
- ✓ It allows businesses to focus on their core processes, thereby making it easier for them to realize the full potential of available business opportunities
- ✓ Overall, it provides a definitive edge over competitors, something that is priceless in today's Globalized world

Conclusion

Business process restructuring has been used successfully by many businesses, both large and small, for achieving targeted goals and objectives. While the actual blueprint of a restructuring exercise may vary depending on the type of business process, the techniques and methodologies described above are common in most cases. Every business certainly has the right to make appropriate changes, but it would help if the restructuring plan does not deviate too much from the guidelines discussed above. This is applicable even more in the case of businesses that are restructuring for the first time. Restructuring exercises directly affect present and future business prospects and it is always wise to avoid unnecessary risks. Achieving planned objectives should be the only aim, a task that becomes easier if the prescribed guidelines are followed.