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EFFICIENCY AND URGENCY OF BUSINESS PROCESSES REEENGINEERING: INTERNATIONAL AND DOMESTIC EXPERIENCE

In a dynamic market environment and globalization of competition both domestic and foreign companies face the problem of improving the management. Finding and implementing new mechanisms to improve management processes enables companies to react flexibly to changes in the environment, meet urgent needs of the markets where competitors fail. Effective performance requires improvement of existing business processes, or even their complete reorganization. However, the specific of the reorganization for businesses in Ukraine differs significantly from foreign experience.

The concept of improving business processes is based on four approaches: 1. Methods of quick analysis of solution (FAST); 2. Benchmarking of the process 3. Redesigning the process, 4. Reengineering of the process. FAST involves a group concentration on a particular process within one or two-day meeting to identify the ways that can improve it over the next 90 days. Typical improvements of the application of FAST-approach are reduction of costs, length of the cycle and error rates by 5-15% over the three-month period [1]. However, this approach is effective for short-term solution of a certain problem the company is facing right now.

Benchmarking is a systematic method for determining, understanding and creative development of products, services, benchmarking projects, equipment, processes and procedures of a higher quality to improve the current activities of the organization through the study of the ways different organizations perform the same or similar operations. Such approach to the improvement of management processes is effective in developed countries such as the U.S. and Japan as well and therefore it is developed and supported by state and governmental programs. As a rule, benchmarking allows to reduce costs, length of the cycle and error rates by 20-50%. Redesign is generally used to enhance successful business processes and gaining a competitive advantage on this basis and allows to improve performance by 30-60%.

Reengineering (Business Process Reengineering) is the most radical of the above mentioned approaches which requires a fundamental rethinking and radical redesign of existing business processes to achieve maximum effect, lowering the costs and reducing the impact of critical factors. Proper reengineering can reduce costs and cycle length by 60-90% and the error rate by 40-70% [2].

In the world practice, timely business process reengineering gives crucial

results. Business process reengineering is mainly conducted for two reasons: the first is a critical situation in the company, when the existing management processes are outdated and do not give it a chance to adapt to market conditions and function properly. An example is the reorganization carried out by Ford Motor Company in the 80's. The entire reorganization of the process of payments to suppliers and loans enabled the company to significantly reduce running and administrative costs, to improve the performance and to establish partner relations with suppliers.

The second reason is when a company is a success, but in the near future plans to increase the level of activities and improve the results. For example, as a result of reengineering IBM Credit company, which deals with financing and support for IBM products purchasing, radically redesigned its processes and reached a rapid improvement in key performance indicators of the company: the processing time reduced from six days to four hours, the number of requests being processed increased 100 times (with a minor decrease in the number of employees). Kodak Company has decided to reengineer the process of sequent development of products using the CAD / CAM technology (Computer Aided Design / Computer Aided Manufacturing), which allowed to shorten new product release from 70 to 38 weeks. Another example of an effective improvement of business processes is the reengineering conducted by U.S. company Duke Power, which is engaged in gas and electricity supply. This process allowed the company to enter the list of top 25% companies of the industry [3].

It should be noted, though, that business process reengineering is impossible without the use of modern IT-technologies. Automatization of many processes allows to significantly reduce costs, reduce dispersion of management functions, and provides access to relevant information about consumers, market conditions, etc.

The main problem of domestic enterprises is generally represented by ineffective organizational management structures - linear, functional, etc., in which decision-making and management processes are complicated by bureaucratic system, significantly delayed in time and are simply out of date by the time of their implementation. Apart from the above, any innovations are critically perceived by employees and meet strong resistance from the stereotype approaches to management. As a result the company loses time and hence competitiveness.

The condition for effective reengineering is not just a process orientation, but primarily the refusal of top management from outdated business practices, in favour of innovative thinking and the ability to prove the necessity of reorganization for each employee. Another factor of the businesses reluctance to implement such changes is fairly significant capital intensity and high risks. Unfortunately, not all examples of reengineering pay back and bring the desired result. This process should be accompanied by a careful analysis of the existing problems and market needs, opportunities of a company, and by the use of the

Total Quality Management system, which will enable to assess the specific situation reasonably.

As a conclusion, in order to gain competitive advantage domestic enterprises should actively use the process approach whose effectiveness has been proved by successful experience of the world leading companies. To be successful companies should pay close attention to improving business processes, restructuring of existing hierarchical organizational structures of management to save one of the most important resources - time.

References:

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3. Schegelska O. Business process reengineering [Text] / O. Schegelska // Market of capital. – 1999. – № 1-2.