



Chapter VIII

Successful Business Process Improvement through E-Collaboration

The Ubiquity of Business Process Improvement

The idea of business process-focused improvement has been with us for many years. Many speculate that it is as old as the total quality management movement, which began in Japan in the 1950s. Some think the idea is much older, dating back to the time of the Pharaohs of Egypt.

At least two popular management movements incorporated the business process improvement idea. One of these management movements is the previously mentioned total quality management, whose popularity reached a peak in the U.S. in the 1980s, and whose main figure was William Deming. The other is business process reengineering, which was developed and became very popular in 1990s, and whose main proponent has been Michael Hammer.

Examples of business process-focused improvement have been and still are found in abundance in the organizational world, whether the organizations considered are public or private, for profit or not. Therefore, there is plenty of organizational data that can be used to establish how successful business

process-focused improvement projects have been so far. Moreover, as the total quality management reached its peak of popularity in the 1980s, there is now long-term organizational evidence that allows for the assessment of the outcomes of total quality management projects over several years.

Choi and Behling (1997) have summarized studies of total quality management. This summary suggests some lackluster results. For example, a survey of 500 manufacturing and service firms in the US indicates that two-thirds of their executives believe that total quality management programs have not made them more competitive. Another survey of 100 British firms, where total quality management programs have been implemented, indicated that only one-fifth perceived their programs as significantly impacting their firms' performance. Yet another survey conducted by the American Electronics Association suggests that the popularity of total quality management programs among its member firms dropped from 86% in 1988 to only 73% in 1991. The same survey revealed that in 63% of the firms, total quality management programs that had been in operation for an average of 2.5 years had reduced defects by no more than 10%. An evaluation of total quality management programs by McKinsey & Company found that two-thirds of them had been discontinued due to their results falling short of the original expectations.

On the other hand, Hendricks and Singhal (1997) conducted a study where quality award-winning companies were compared to a sample of control firms. Their study spanned a period of 10 years for each company, comprising six years before and three years after the quality awards were conferred. One of their findings was that the mean change in the operating income (i.e., sales revenues minus production, depreciation, sales, and administrative costs in connection with the products sold) for the award-winning firms was 107% higher than that of the control sample. Another finding was that the mean increase in sales had been 64% higher for the award-winning firms, which suggests that firms that have won quality awards have done considerably better on sales growth than the control firms. On the other hand, only weak evidence was found that the award-winning firms had been more successful in controlling costs than the firms in the control sample.

The business process reengineering history is somewhat different. It started with case studies showing the almost miraculous potential of the combination of a focus on business processes and a radical approach to change (Hammer, 1990; Hammer & Champy, 1993). Yet, not too long after these initial case studies were published, a survey of private firms in the US and Europe,

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