Chapter III

What is a Business Process?

The Pervasiveness of Business Process Improvement

Business process improvement can be defined as the analysis, redesign, and subsequent change of organizational processes to achieve performance and competitiveness gains. The idea that business process-focused improvement can be used as a tool to boost organizational performance and competitiveness is not new. In fact, business process improvement has been the basis of several widely adopted management approaches, such as total quality management, business process reengineering, and organizational learning. As the following sections briefly show, business process-focused improvement can be a unifying concept of these management approaches.

Total Quality Management

One of the main tenets of the total quality management movement is that the focus of improvement should be on processes rather than problems. Moreover, when one carefully looks at the causes of organizational problems (e.g., high costs, low quality, deficient worker productivity), a variation of the famous “Pareto rule” reflects pretty well what actually happens. That is, 80% of those
problems are business process-related, whereas only 20% can be blamed on the people who carry out business process activities (Deming, 1986).

This new perspective constitutes a shift from the old view that problems in organizations are caused by workers’ negligence and their disregard of management-set rules for business process execution. Organizational norms of accepted behavior, formal job definitions, rigidly set communication channels, hierarchical structures, inflexible computer systems, as well as reward systems are just a few elements of organizational process design. It is in these elements, argued the total quality management movement, that most improvement opportunities can be found.

When William E. Deming, the main figure of the total quality management movement, unequivocally proposed these ideas, many thought that he was either wrong or, on the opposite extreme, pointing out things that were too obvious to be relevant. As it became clear in the 1980s, especially to the American business establishment, not only was he right, but, given the major changes that his ideas generated in many businesses, he was also proposing ideas that proved to be fairly counterintuitive at the time. Deming’s story is one of the most successful in the whole history of management thought.

**Business Process Reengineering**

Unlike the total quality management movement, which seems to have been built around a common set of concepts and ideas, the business process reengineering movement has been characterized by the existence of different schools of thought. From the beginning, at least two schools of thought could be identified.

Computer expert and management consultant Michael Hammer led the radical and more popular school of thought in connection with business process reengineering. Hammer and colleagues proposed reengineering as a totally new and revolutionary approach for business process improvement, and argued for a complete departure from the incremental business process improvement approach, which characterized the total quality management (Hammer, 1990; Hammer & Champy, 1993).

The other school of reengineering thought, led by then University of Texas Professor Thomas Davenport, was more conservative in its expectations. It proposed radical business process redesign as just a new tool for business process improvement, especially for those organizational processes that were at the core competencies of an organization (Davenport, 1993; Davenport &

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