Study on Major Benefits of Business Process Reengineering and its Impact on Productivity of Small and Medium Sized Enterprises

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ABSTRACT

Small and medium sized enterprises (SMEs) are very important in Indian economy. 50% part of total output produced by SMEs. This is second sector which gives large employment to people after agriculture. SMEs provide employment to rural area people and ties to remove economic disparities in rural and urban area. SMEs provide employment for unskilled labor. SMEs required less capital which is suitable for Indian economy who having scarcity of resources. After globalization SMEs find difficulty to sustain in global market due to many reasons like use of traditional methods, low quality product, financing etc. hence failure rate of SMEs are more. Large scale organization use Business process reengineering (BPR) to achieve dramatic improvement in performance. Purpose of this study is to find out major benefits of business process reengineering for SMEs and impact of business process reengineering on productivity improvement of small and medium sized enterprises. This study finds that BPR having 6 major benefits improves quality of products, BPR will open up new opportunities, Improves customer satisfaction, Overall change enhance performance, Can find new business dimensions and Facilitate faster business operations and BPR having positive relationship with productivity improvement. SMEs should use Business process reengineering to achieve dramatic improvement in performance so they can produce product like their global competitor and sustain in global market.

Keywords: Business process reengineering, Small and medium sized enterprises, Indian economy, Dramatic improvement, Global market.

INTRODUCTION:

SMEs played crucial role in development of India. SMEs having capacity to provide large amount of employment to unskilled and poor people from rural area. SMEs help to remove economic disparities in urban and rural area. SMEs produced 50 % of total output and 42 % of total export. (Anubha Vashisht, Amita Chaudhary, Priyanka, 2016). SMEs created employment next only to agriculture. SMEs helps to India to achieve high industrial growth and diversification .India having large population and also shortage of resources so SMEs are suitable for Indian economy because they required less capital. SMEs also help to build traditional skills.

Many SMEs used traditional business processes hence they find difficult to survive in global stiff competition. SMEs having many problems like low quality, financing, lack of technology awareness so they fail in business. Large scale organization used Business process reengineering to achieve dramatic improvement in business process to grow in market. Business process reengineering as the fundamental rethinking and radical design of the process to achieve dramatic improvement in critical, contemporary measures of performance, such as cost, quality, service and speed.(Michael Hammer and Champ, 1993). Large scale organization used this reengineering in which instead of improvement in current business process organization establishes innovative
business process which gives dramatic improvement. Large organization used information technology to create new innovative business process and existed old traditional business processes. SMEs operating any part in India should fulfill the standards which maintain by the global large scale organization in India. SMEs should use BPR as tool to achieve dramatic improvement in performance to sustain and grow in global stiff competition. The simple random sampling technique is used to select the sample for the study. Using Statistical software SPSS the various tests are conducted like Principal Component Analysis, correlation analysis. Based on the analysis the researcher has arrived at the major findings.

NEED FOR THE STUDY:

SMEs are very important for development of India. SMEs act as stabilizer of Indian economy because they help to remove economic disparities between rural and urban area of the country. SMEs provide large employment opportunities to unskilled labor from rural part of the country. Most of the SMEs produced product with their old traditional business methods hence they failed to produce product of high quality which provided by their global competitor. Low quality product customer rejects and because of this reason many SMEs failed to sustain in global market. SMEs have two options either they produce product of equal quality as like global competitor by reengineering their business processes to achieve dramatic improvement in performance or closed down. Some research carried out on BPR but that is related with large scale organizations. Results achieved from BPR implementation may not achieve in BPR implementation in SMEs. Because SMEs different challenges, issues and constraints than large scale organizations. There is paucity of research in BPR in SMEs area. Hence it is need to study BPR in SMEs.

LITERATURE REVIEW:

Parthajet Das (2017) explained opportunities, issues and challenges of Indian SMEs. Indian SMEs act as engine of economic growth of country. They remove economic gap between rural and urban area. Help to improve export potential of country. Keshab Das (2008) explained issues and possibilities of Indian SMEs in times of globalization. SMEs played important role in economic development of India due to globalization SMEs face stiff competition of large scale organization. SMEs are low in quality hence they face problem to sustain in market. Dr.O.M.Ashtankar (2013) explained that SMEs required thinking globally during production of product. They should create product of global quality standards. SMEs owner should maintain cooperation in between customers, suppliers and partners. Due to such cooperation they can get innovative idea to improve competitiveness of SMEs. Frank Tetard (2005) explained that SMEs face more competition due to scarce resource SMEs find difficult to grow or survive in the market due to many constraints out of that researcher found that fragmentation of working time of key person is one constraint. This is due to easy way to connect key persons through email and flatter organization structure. Jeffery Lin-Jen Chang (2000) explained importance of BPR in SMEs. Researcher explained that SMEs played important role in economic development of any country. But that SMEs face many challenges like scare resources, lack of IT infrastructure, hence failure rate of SMEs are more. Hence to survive in stiff competition SMEs should reengineer their business processes. Liang Zongb and Rodney Day (2000) explained that customer required high quality product with least cost also they required high quality of service hence organization required to streamline their business processes for improve performance of processes which gives reduction in cost and improved quality. C. Martin and R. Encina (1995) explained use of BPR in production system. Method for implementation and its results. It is important to reengineer production process for performance improvement. For reengineering in production system firm used product analysis, process analysis and product-process analysis. After using BPR firm production system simplified and very easy to manage automatically.

METHODOLOGY:

The researcher has used both primary and secondary data for this study. Primary data has been collected from senior managers or owners of small and medium sized enterprises. The questionnaire focuses on benefits of BPR in SMEs. The questionnaire also focuses impact of BPR on productivity improvement in SMEs. Secondary data has been collected from articles, journals and books. To achieve objectives of study 11 variables identified through extensive literature review and guidance of experts. Questionnaire has been designed based on these variables. The questionnaire is pre tested with the help of experts and practitioners in BPR area and their valuable suggestions added in questionnaire. A total 30 No. of questionnaire was distributed to senior managers or owners of SMEs through personal contacts. 26 completed questionnaires have been received from

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the respondents, which represent 86% response rate. Only 14% respondents have not submitted their responses. Primary data required for this study collected through structured questionnaire given to the randomly selected samples. The random sampling method is used for this study has been selected from Mumbai region.

**STATEMENT OF PROBLEM:**
Large organization use BPR as tool to improve performance dramatically. To sustain in stiff competition SMEs required discarding their old traditional processes and reengineering them. SMEs can use information technology to achieve dramatic improvement in performance. Information technology acts as enabler for BPR. Productivity improvement is very important to survive in global competition so SMEs should use BPR effectively.

**OBJECTIVES:**
1) To find out the major benefit of BPR in SMEs.
2) To study impact of BPR on productivity improvement of SMEs.

**LIMITATIONS:**
1) Study considers only senior managers or owners of SMEs as respondents
2) Sample size is 26 SMEs which is small.

**FINDINGS AND DISCUSSION:**
To find out major benefits of BPR in SME's

Table 5.1: Principle Component Analysis

| Communalities | Initial | Extraction |
|---------------|---------|------------|
| Can save a company loss | 1.000 | .835 |
| By changing BPR business can make profits | 1.000 | .847 |
| Can find new business dimensions | 1.000 | .893 |
| BPR will open up new opportunities | 1.000 | .838 |
| Continues improvements | 1.000 | .846 |
| Over all change enhance performance | 1.000 | .805 |
| Improves quality of products | 1.000 | .948 |
| Improves customer satisfaction | 1.000 | .779 |
| Facilitates faster business operations | 1.000 | .887 |

**Extraction Method:** Principal Component Analysis.

Table 5.2: Total Variance Explained

| Component | Total Variance Explained | Extraction Sums of Squared Loadings |
|-----------|--------------------------|-----------------------------------|
|           | Initial Eigen values     | Extraction                          |
|           | % of Variance            | % of Variance                       |
|           | Cumulative %             | Cumulative %                        |
|           | Total                    | % of Variance                       | Cumulative % |
| 1         | 4.804                    | 53.375                             | 53.375       |
| 2         | 1.603                    | 17.816                             | 71.191       |
| 3         | 1.271                    | 14.128                             | 85.319       |
| 4         | .434                     | 4.820                              | 90.138       |
| 5         | .354                     | 3.933                              | 94.071       |
| 6         | .271                     | 3.013                              | 97.084       |
| 7         | .126                     | 1.402                              | 98.486       |
| 8         | .095                     | 1.054                              | 99.540       |
| 9         | .041                     | .460                               | 100.000      |

**Extraction Method:** Principal Component Analysis.

**Source:** SPSS data analysis output
Eigen value describes total variance given by each factor. Eigen value also gives total variance percentage of each factor. From the total variance researcher can find the minimum number of factors which will maximum variance of data.

Table 5.3: Component Matrix

| Component Matrixa | Component | 1    | 2    | 3    |
|-------------------|-----------|------|------|------|
| Can save a company loss |           | .691 | .533 | -.273 |
| By changing BPR business can make profits |           | .452 | .274 | -.753 |
| Can find new business dimensions |           | .722 | .601 | .097 |
| BPR will open up new opportunities |           | .868 | .272 | .099 |
| Continues improvements |           | .778 | .487 | -.055 |
| Over all change enhance performance |           | .813 | -.356 | .134 |
| Improves quality of products |           | .872 | -.429 | .063 |
| Improves customer satisfaction |           | .815 | -.335 | -.060 |
| Facilitates faster business operations |           | .394 | .386 | .763 |

Extraction Method: Principal Component Analysis.

Source: SPSS data analysis output

Interpretation:
Interpretation of above matrix on various factors is facilitated by identifying the statements that have large Loading in the same factor. The factor can be interpreted in terms of the statement that loads high on it. Out of 9 factors, 6 factors act as major benefits of BPR in SMEs. These 6 Factors (benefits) are improves quality of products, BPR will open up new opportunities, Improves customer satisfaction, Overall change enhance performance, Can find new business dimensions, Facilitate faster business operations

To study impact of BPR on productivity of SMEs:
For this researcher used following hypothesis.
Hypothesis 1: There is significant relationship between BPR and productivity improvement of SMEs.
Simple correlation test is used to find impact of BPR on productivity improvement of SM
Above table shows that BPR helps in productivity improvement of SMEs. The Pearson correlation Coefficient between BPR implemented in your company and helps in productivity improvement is 0.667 with a level of significance 0.01. It is concluded that there exist relationship between BPR and productivity improvement of SMEs.

**Major findings are:**
1) there are 6 major benefits of BPR in SMEs. These 6 major benefits are;
   a) improves quality of products
   b) BPR will open up new opportunities
   c) Improves customer satisfaction
   d) Overall change enhance performance
   e) Can find new business dimensions
   f) Facilitate faster business operations

2) There is positive relationship between BPR and productivity improvement of SMEs. Increase in BPR efforts increases productivity of SMEs.

**CONCLUSION:**

From this study SMEs managers can understand major benefits of BPR so managers take active participation to implement BPR in SMEs. Productivity improvement is one important objective of operations management. To survive in global competition SMEs required optimum utilization of resources. SMEs required high productivity. This study shows that there is positive correlation between productivity improvement of SMEs and BPR. So SMEs can use BPR to improve productivity. If SMEs increases BPR efforts which definitely increase productivity which help SMEs to survive in stiff competition.

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