**COMPLEX BUSINESS STRUCTURES**

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**Business integration** means that all aspects of the business must be aligned to secure the most efficient

use of the organisation’s resources so that it can achieve its objectives effectively.

There are two frameworks for understanding integrated processes and the

linkages within them:

• Porter’s value chain model. • McKinsey's 7S model

**Porter’s value chain**

The value chain is the linked set of value­creating activities from the acquisition of raw materials to the  delivery of the final product to the customer.

• Margin, i.e. profit will be achieved if the customer is willing to pay more for the product/service than the

 sum of the costs of all the activities in the value chain.

• Value chain analysis aims to maximise margin by understanding how the value chain activities are

 performed and how they interact with each other.

• There are five primary activities and four support activities.



**Value system**

More recently, organisations have started to consider supply chain partnerships.  The value system looks

at linking the value chains of suppliers and customers to that of the organisation. firm’s performance depends

not only on its own value chain, but on its ability to manage the value system of which it is part.

**McKinsey's 7s model**

Describes an organization as consisting of 7 inter-related internal elements. A change in one element will

have  repercussions on the others. All seven elements must be aligned to ensure organisational success, e.g.:

• to determine how best to implement a strategy

• to improve organisational performance

• to examine the effects of future changes within a company

• to align departments or processes during a merger or acquisition.



**Business Process Re­engineering (BPR)**

BPR is the **fundamental rethinking and radical redesign of business processes** to achieve dramatic

improvements in critical, contemporary measures of performance, such as cost, quality, service and speed.

Improved customer satisfaction is often the primary aim.

Prior to re­engineering, it took IBM Credit between one and two weeks to issue credit, often losing customers during this period.

• On investigation it was found that performing the actual work only took 90 minutes. The rest of the time

(more than seven days!) was spent passing the form from one department to the next.

• The solution was to replace specialists (e.g. credit checkers) with generalists – One person

(a deal 'structurer') processes the entire application from beginning to end.

• Post re­engineering, the process took only minutes or hours.

**The influence of BPR on organisational performance**

• Despite some success stories, e.g. at IBM and Ford, BPR became unpopular in the late 1990s due to  some

 widely discussed failures.

• Numerous organisations have attempted to redesign their business processes but have failed to enjoy the

 enormous improvements in organisational performance that were promised.

• The key to realising these improvements in performance seems to be continuous learning. As problems

 emerge, they must be identified, analysed and communicated in order to improve the future success rate

 of BPR.

**Features of a Re-engineered process**

* Several jobs are combined into one
* Workers make real decisions
* Work is performed where it makes most sense
* Checks and controls are reduced
* Reconciliation processes are reduced
* A case manager provides a point of contact

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 of BPR.

**The influence of BPR on systems development**

BPR results in more automation and greater use of IT/IS to integrate processes. Some of the key technologies

that allow fundamental shifts in business operations to occur are:

• shared database access from any location

• expert systems (a database system providing expert knowledge and advice) to devolve expertise

• powerful communication networks for remote offices

• wireless communication for on­the­spot decision making

• tracking technology for warehouses and delivery systems

• Internet services to re­engineer channels of distribution.

**THE NEEDS OF MODERN SERVICE INDUSTRIES**

Although not strictly a type of structure, it makes sense to look at service industries as part of this chapter.

Traditional manufacturing companies have been replaced by modern service industries, e.g. insurance, management consultancy and professional services.

The differences between the products of manufacturing companies and those of service businesses:

• can create problems in measuring and controlling performance and

• this, in turn, affects the information needs of service organisations.



**Measuring service quality**

Service providers do not have a physical product so base competitive advantage on less tangible customer benefits such as:

• Soundness of advice given

• Attitude of staff

• Ambience of premises

• Speed of service

• Flexibility/responsiveness

• Consistent quality.