

# **Testbank**

to accompany

# **Accounting information systems**

**5<sup>th</sup> edition**

by

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# **WILEY**

## Chapter 2: Business processes

### Multiple-choice questions

1. Which are the three levels that strategy can be seen to operate at?
- (i) The internal level.
  - (ii) The external level.
  - (iii) The business portfolio level.
  - (iv) The inter-organisation level.
  - (v) The intra-organisation level.
  - (vi) The competitive level.
- a. (i) (ii) (vi)
  - \*b. (i) (iii) (vi)
  - c. (iii) (iv) (v)
  - d. (iv) (v) (iii)

*Correct answer: b*

*Learning objective 2.1 – identify and interpret the components of organisational strategy and mission.*

2. An example of a strategic level decision would be:
- a. determining the quantity of raw materials to purchase.
  - b. appointing a new line manager responsible for running the delivery department.
  - c. reconfiguring the production line design to eliminate wasted time due to bottlenecks.
  - \*d. deciding whether or not to acquire the remaining shares of a partially owned subsidiary.

*Correct answer: d*

*Learning objective 2.1 – identify and interpret the components of organisational strategy and mission.*

3. Michael Porter sees a business as having two options when deciding on a strategy. These two options are:
- a. economies of scale and entry barrier.
  - b. economies of scope and differentiation.
  - c. price competition and product abundance.
  - \*d. differentiation and cost leadership.

*Correct answer: d*

*Learning objective 2.1 – identify and interpret the components of organisational strategy and mission.*

4. Michael Porter sees the implementation and attainment of strategies as consisting of five steps. Which of the following is NOT one of the steps?
- a. Fit.
  - b. Uniqueness.
  - \*c. Operational efficiency.
  - d. Sustainability.

*Correct answer: c*

*Learning objective 2.1 – identify and interpret the components of organisational strategy and mission.*

5. Michael Porter puts forward five forces that shape the industry in which a firm operates. Which of the following is NOT one of the forces?
- a. Threat of new entrants.
  - \*b. Legislative power of the government.
  - c. Rivalry among existing competitors.
  - d. Threat of substitute products or services.

*Correct answer: b*

*Learning objective 2.1 – identify and interpret the components of organisational strategy and mission.*

6. There are two perspectives of organisational design:
- a. logical and physical.
  - b. internal and external.
  - \*c. functional and business process.
  - d. scientific and practical.

*Correct answer: c*

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

*Learning objective 2.3 – identify and describe a business process.*

7. The logical consequence of Taylor's scientific management approach was that organisations:
- \*a. developed rigid hierarchies that sought to tightly control lower levels of the organisation.
  - b. developed highly interactive and flexible structures that could easily adapt to changing environments.
  - c. had employees who questioned procedures and sought to continually redefine their role.
  - d. streamlined the information flows across the organisation.

*Correct answer: a*

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

*Learning objective 2.3 – identify and describe a business process.*

8. Scientific management is concerned with:
- a. streamlined work flows across the organisation.
  - b. hierarchical control of the organisation through three levels of management.
  - \*c. clearly defining individual employee's responsibilities and tasks.
  - d. dividing the business structure into the optimal number of functional divisions.

*Correct answer: c*

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

*Learning objective 2.3 – identify and describe a business process.*

9. Which of the following is not a benefit of a functionally based organisational design?
- a. Control and coordination.
  - b. Stability.
  - \*c. Communication efficiency.
  - d. Task specificity.

*Correct answer: c*

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

*Learning objective 2.3 – identify and describe a business process.*

10. Which of the following is not a problem or limitation of a functionally based organisational design?
- a. Not reflective of the reality of today.
  - \*b. Lack of administrative power.
  - c. Slow to react to the environment.
  - d. Focuses on the wrong things.

*Correct answer: b*

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

*Learning objective 2.3 – identify and describe a business process.*

11. An emphasis on business processes is different to a functional perspective of the organisation because a business process emphasis:
- a. offers highly defined tasks and responsibilities.
  - b. gives employees the freedom to do what they want in order to please the customer.
  - \*c. acknowledges cross-functional communication and action is essential to the customer's needs.
  - d. views the customer needs as secondary to those of the functional divisions.

*Correct answer: c*

*Learning objective 2.3 – identify and describe a business process.*

12. What is a business process?
- \*a. A series of interlocking activities that work together across the organisation to achieve some predetermined organisational goal.
  - b. Any activity performed by a business.
  - c. Any core activity that produces a profit.
  - d. Any activity performed by a manufacturing company providing that it produces a profit.

*Correct answer: a*

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

*Learning objective 2.3 – identify and describe a business process.*

13. The major difference between a business process and a business function is that:
- a. business processes emphasises what gets done, business functions emphasise how it gets done.
  - b. business process personnel are highly skilled specialists, business function personnel are generalists operating across numerous areas.
  - c. business processes emphasise vertical structure and hierarchy, business functions emphasise the horizontal integration of the organisation.
  - \*d. business processes are customer driven, business functions are task driven.

*Correct answer: d*

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

*Learning objective 2.3 – identify and describe a business process.*

14. A sales person is processing a credit sale. As per company policy, the sales person should conduct the credit check and forward the result to a supervisor, who would then make a decision on the creditworthiness of the applicant and send this back to the sales person. This scenario is more likely to happen in:
- \*a. functionally based organisation.
  - b. business process based organisation.
  - c. both functionally based organisation and business process based organisation.
  - d. neither functionally based organisation nor business process based organisation.

*Correct answer: a*

*Learning objective 2.3 – identify and describe a business process.*

15. Which of the following is NOT a benefit of adopting a business process perspective within the organisation?
- a. Better customer service and customer relations.
  - b. Greater efficiency and effectiveness in using resources.
  - \*c. Tighter organisational control.
  - d. Less non-value-adding activities.

*Correct answer: c*

*Learning objective 2.4 – appraise the benefits of organisations adopting a business process perspective.*

16. In the process perspective of the organisation, a flattened organisational design cannot:
- \*a. increase task specificity.
  - b. reduce bureaucracy.
  - c. create a more flexible organisation.
  - d. identify tasks and functions that do not add value.

*Correct answer: a*

*Learning objective 2.4 – appraise the benefits of organisations adopting a business process perspective.*

17. Business processes can provide an organisation with a competitive advantage. This competitive advantage is more likely to come from:
- a. the design of business processes that are more efficient and effective.
  - \*b. the design of business processes that are unique or offer something different.
  - c. the design of business processes that are more competitive and flexible.
  - d. the design of business processes that have lower costs of execution.

*Correct answer: b*

*Learning objective 2.4 – appraise the benefits of organisations adopting a business process perspective.*

18. The business process can yield benefits for an organisation through:
- a. ignoring customer service and focussing on superior product design.
  - b. offering customers cheaper prices.
  - c. outsourcing all customer service activities.
  - \*d. improved customer service and customer relations through a value adding emphasis.

*Correct answer: d*

*Learning objective 2.4 – appraise the benefits of organisations adopting a business process perspective.*

19. Although ERP systems are built around the idea of best practice, some organisations will choose not to adopt the ERP best practice, seeking instead to modify the design of the system. The mostly likely reason for doing so is:
- a. modifying the ERP system will lower the cost of implementation because redundant features are removed.
  - b. the 'fit' between the system and the business processes needs to exist. It is easier to change the system than to change the organisational design.
  - \*c. the ERP system is unable to drive some of the organisation's unique business processes that provide distinct competitive advantage to the organisation.
  - d. adopting an ERP system off the shelf erodes competitive advantage because everyone else has the same software at their disposal.

*Correct answer: c*

*Learning objective 2.5 – critically evaluate the role enterprise resource planning (ERP) systems play in business process design.*

20. An ERP system is:
- \*a. a complex set of computer program modules that integrate the different functional areas of the organisation.
  - b. developed around an information silo principle.
  - c. a system that integrates functional and proprietary information systems in different departments in an organisation.
  - d. suitable for both large and small organisations.

*Correct answer: a*

*Learning objective 2.5 – critically evaluate the role enterprise resource planning (ERP) systems play in business process design.*

21. Because of ERP's best practice approach, if all organisations adopt the ERP system and have the same underlying processes, they are less likely to distinguish themselves and gain a competitive advantage. This is likely a major reason for:
- a. not adopting ERP.
  - b. adopting ERP before competitors do.
  - c. configuring a business process around an ERP system.
  - \*d. not configuring a business process around an ERP system.

*Correct answer: d*

*Learning objective 2.5 – critically evaluate the role enterprise resource planning (ERP) systems play in business process design.*



22. Which of the following is NOT a result of moving to a business process-based environment?
- a. The way that the organisation is managed is changed.
  - b. Functional barriers are broken down.
  - \*c. The layer of middle management is thickened.
  - d. Employee resistance.

*Correct answer: c*

*Learning objective 2.6 – interpret and communicate issues for organisations changing to a process-based focus.*

23. The first stage in adopting a business process perspective is that:
- a. it should focus on removing middle management.
  - \*b. it must be represented in the design of the organisation.
  - c. it should emphasise the flattening of the organisational structure.
  - d. it must be reflected in the organisation's latest statements.

*Correct answer: b*

*Learning objective 2.6 – interpret and communicate issues for organisations changing to a process-based focus.*

24. Instead of turning up to work knowing that all they will be doing is one specific, narrowly defined task, employees become involved in a range of tasks and see how the tasks integrate with each other. This is a likely description of:
- a. employee empowerment.
  - b. a functional environment.
  - \*c. a business process oriented environment
  - d. multi-tasking.

*Correct answer: c*

*Learning objective 2.6 – interpret and communicate issues for organisations changing to a process-based focus.*

25. The first stage in adopting a business process perspective is:
- a. securing customer approval.
  - b. ensuring that the project is fully costed.
  - c. ensuring that the company is currently using updated technology.
  - \*d. that it must be represented in the design of the organisation.

*Correct answer: d*

*Learning objective 2.6 – interpret and communicate issues for organisations changing to a process-based focus.*

26. An organisation is undergoing a major change to the way it does business, redesigning business processes and the use of IT within the processes. One of the suggested change approaches was TQM. In this case:
- a. TQM would be ideal because it allows for all employees to offer suggestions and be involved in the changing of the organisation.
  - b. TQM would be ideal because its incremental approach to organisational change means that the change process would be well managed.
  - c. TQM would not be ideal because its incremental approach would mean that change would take a large amount of time.
  - \*d. TQM would not be ideal because its incremental approach is suited to gradual change rather than large scale change.

*Correct answer: d*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

27. A process that has been reengineered will have less of a role for specialists because:
- a. specialists are made redundant through the cost-cutting emphasis of BPR.
  - b. decisions that require specialists are removed from a process.
  - c. generalists are trained and act as specialists through the assistance of decision aids.
  - \*d. jobs are combined and key workers are given decision making responsibility.

*Correct answer: d*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

28. Which of the following statements is NOT true about a reengineered process?
- a. Jobs change and people are empowered.
  - b. Work units change from a functional to a process perspective.
  - \*c. Controls are increased to ensure smooth functioning.
  - d. Workers jobs are combined and workers are given decision rights.

*Correct answer: c*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

29. Benefits of a reengineered process from a customer's perspective do not include:
- a. better information availability.
  - b. more convenient way of participating in a process.
  - c. a specific reference point.
  - \*d. friendlier customer service.

*Correct answer: d*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

30. Organisations will benefit most from the application of IT when:
- a. they use the most advanced and latest IT.
  - b. all business processes are computerised.
  - c. IT costs are brought to the minimum.
  - \*d. the use of IT is driven by business needs and opportunities.

*Correct answer: d*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

31. Evaluated receipts settlement involves:
- \*a. the purchaser paying for goods without receiving an invoice.
  - b. the supplier issuing an invoice before goods have been delivered.
  - c. speeding up the accounts receivable process for a vendor.
  - d. the electronic sending and payment of invoices.

*Correct answer: a*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

32. An organisation is looking for a way to improve their accounts payable process. Someone suggested that they continue to send out paper invoices but allow customers to pay through their bank website and phone banking. This is an example of:
- a. electronic bill presentment.
  - b. electronic bill presentment and payment.
  - \*c. electronic bill payment.
  - d. neither electronic bill presentment nor payment.

*Correct answer: c*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

33. In a BPR project:
- a. a leadership team is “good to have” but not necessary.
  - b. a leadership team consists of company executives should be established to guide the project.
  - \*c. the leadership team may include some influential external stakeholders.
  - d. the leadership team members need not be of authority sufficient.

*Correct answer: c*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

34. In terms of BPR:
- a. job descriptions need not be adjusted.
  - \*b. the attainment of short-term wins is a form of positive feedback.
  - c. once improvements are consolidated, further change should be avoided so that achieved improvements can be sustained.
  - d. institutionalising the new approaches does not involve changes in organisational culture.

*Correct answer: b*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

35. Which one of the following is NOT a BPR principle in practice?
- a. Combine jobs and let workers make decisions.
  - \*b. Perform process steps in a functionally logical order.
  - c. Allow processes to vary.
  - d. Reduce the impediment of controls and reconciliations.

*Correct answer: b*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

36. People within the organisation need to be encouraged to provide feedback about the design of a process. This is particularly the case:
- \*a. at the lower levels of the organisation.
  - b. at the line manager level of the organisation.
  - c. at the middle management level of the organisation.
  - d. at the executive level of the organisation.

*Correct answer: a*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

37. The philosophy of TQM is geared around four main concepts. These concepts are:
- a. quality, process, organisations and management.
  - b. quality, process, people and management.
  - \*c. quality, people, organisations and management.
  - d. quality, process, people and organisation.

*Correct answer: c*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

38. Vendor-managed inventory involves the buyer transferring the responsibility for:
- a. physically holding inventory items.
  - b. storing, retrieving, and acquiring inventory items.
  - \*c. determining what, when and how much is purchased.
  - d. keeping the inventory at a fixed and predetermined level.

*Correct answer: c*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

39. Which one of the following technology is more likely to be used in the billing and cash receipts process by the seller of goods?
- a. RFID.
  - b. Electronic bill presentation and payment.
  - c. Electronic bill payment.
  - \*d. Evaluated receipts settlement.

*Correct answer: d*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

40. Which of the following statements regarding BPR is not true?
- \*a. BPR is an attempt at downsizing.
  - b. Ethical issues are involved in BPR.
  - c. Social issues are involved in BPR.
  - d. Employees can be extremely wary when BPR is mentioned.

*Correct answer: a*

*Learning objective 2.8 – critically evaluate BPR techniques.*

41. Which of the following is NOT a central tenet of BPR?
- a. Look for ways technology can potentially be applied to solve a business problem.
  - b. Look for ways technology can potentially be applied to create a unique strategic position for an organisation.
  - c. Look for ways technology can potentially be applied to help organisation grasp emergent opportunities.
  - \*d. Look for ways technology can potentially be applied to help organisation sustain competitive advantage.

*Correct answer: d*

*Learning objective 2.9 – critique the application of information technology (IT) to business processes by Australian firms.*

42. Which of the following statements is NOT true regarding Australian businesses?
- a. More than 90% of businesses are using the Internet.
  - b. More than 80% of websites have some form of customer contact facility.
  - \*c. More than 70% of businesses have incorporated Internet into business processes.
  - d. The percentage of Australian businesses that have web presence has increased by 15% from 2003 to 2010.

*Correct answer: c*

*Learning objective 2.9 – critique the application of information technology (IT) to business processes by Australian firms.*

43. Which of the following is not a factor that is attributed to the uptake of the IT by many organisations?
- a. Government support.
  - b. Customer pressure.
  - c. Ability to access technological support.
  - \*d. Better socioeconomic environment.

*Correct answer: d*

*Learning objective 2.9 – critique the application of information technology (IT) to business processes by Australian firms.*

44. A business operates by sourcing data from various sources and compiling or customising it in a way that adds value for the end customer. This business is:
- a. a compiler.
  - b. a data miner.
  - c. a customiser.
  - \*d. an aggregator.

*Correct answer: d*

*Learning objective 2.9 – critique the application of information technology (IT) to business processes by Australian firms.*

45. The information business:
- a. cannot operate without modern information and communication technologies.
  - b. cannot operate on a manual basis.
  - c. is not popular because it adds middleman costs to final prices.
  - \*d. is useful for both everyday consumers and enterprise-level customers.

*Correct answer: d*

*Learning objective 2.9 – critique the application of information technology (IT) to business processes by Australian firms.*

46. Which of the following indicates that a company is using the internet effectively for its business processes?
- a. A company has a home page, information only website.
  - \*b. Sales orders captured through the website feed automatically into the revenue cycle.
  - c. Customers can contact the company for more information through the website.
  - d. The company uses internet banking to pay invoices.

*Correct answer: b*

*Learning objective 2.9 – critique the application of information technology (IT) to business processes by Australian firms.*

47. Any benefits gained through improved resource efficiency in the process perspective could potentially be negated by the increased resources required to support the new IT within the organisation. This phenomenon is referred to as:
- a. spill-over effect.
  - \*b. productivity paradox.
  - c. rent misappropriation.
  - d. siphon effect.

*Correct answer: b*

*Learning objective 2.8 – critically evaluate BPR techniques.*

48. There are four main areas in which an organisation can benefit from the application of technology to its business processes. These areas do not include:
- a. transaction-based area.
  - b. change-based area.
  - c. strategy-based area.
  - \*d. marketing-based area.

*Correct answer: d*

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

49. Normally, the first step in a BPR project is to:
- a. form a leadership team.
  - \*b. convince others within the organisation that BPR is actually required.
  - c. create and communicate a vision.
  - d. encourage employees to try new ways of doing things.

*Correct answer: b*

*Learning objective 2.8 – critically evaluate BPR techniques.*



## **Short answer questions**

1. Michael Porter sees a business as having two options when deciding on a strategy:

- (1) cost leadership, or
- (2) differentiation.

Discuss the difference and the relationship between these two options.

*Answer:*

A cost leadership strategy sees organisations able to carry out their activities cheaper than their competitors, through economies of scale, technology, low overhead costs or efficient links with suppliers. The alternative, the differentiation strategy, involves a business adding that little bit extra for customers, offering unique products and services targeted to the customer's needs. This higher degree of customer attention and personalisation to meet customer demands allows the organisation to charge a higher price. Therefore, cost leadership focuses on cutting costs (as the name suggests) whereas differentiation targets unique, novel, or customisable products/experience that can be sold for a higher price. These two options are not mutually exclusive; when they are realised successfully, the focal organisation can reap a profit that is higher than the average.

*Learning objective 2.1 – identify and interpret the components of organisational strategy and mission.*

2. What are the benefits and problems of the functional perspective of the organisation?

*Answer:*

One strong benefit of the functional perspective is that it provides a great deal of organisational control. Due to the high volume of reporting relationships that exist, there is a strong monitoring network. This can lead to bureaucracy (a disadvantage). Another benefit is task specificity. Tasks within the functionally based organisation will be highly defined and specified. This means employees and managers are clear on what their tasks and responsibilities are. The functional structure provides a delineation of tasks across different departments of the organisation, as well as within departments. This can be a useful tool for an organisation wishing to gain clarity and specificity of employee roles and responsibilities.

However, while the functional perspective of the organisation does not reflect the reality of today, it creates an overly hierarchical and bureaucratic organisation. A common consequence of this is the perception that 'staff create overheads and bureaucracies that far exceed their value'. The hierarchical and bureaucratic nature of the functional organisation means it can be slow to react to changes in both the internal organisational environment and the external operating environment. It takes time for information to filter up and down in the organisation. Finally, hierarchical and bureaucratic nature of the functional organisation can lead to an ignorance of customer requirements, so the organisation is focusing on the wrong things.

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

3. Compare and contrast business process with business function.

*Answer:*

A business process was defined as a series of interlocking activities that work together across the organisation to achieve some predetermined organisational goal that is typically defined around satisfying customer needs. A business function was defined as a specific subset of the organisation that performs a particular role that contributes to the organisation achieving its objectives. Notice the differences in these definitions. A business function is a specific task or role that is performed, for example, accounting, sales or marketing. Moving from business function to business process shifts the frame of reference from looking at specific individual functions to how these functions interact with one another to deliver a good or service to the customer. So, the business process is a combination of business functions operating together to achieve a goal. (c.f. Table 2.1 in the chapter)

*Learning objective 2.2 – critique alternative organisational structures, reflecting on their strengths and weaknesses and the implications for organisational operations.*

*Learning objective 2.3 – identify and describe a business process.*

4. What are the reasons for adopting a business process perspective within an organisation?

*Answer:*

The process perspective offers an organisation a more coordinated and integrated approach, reducing wasted time due to rework, bureaucracy and administration. Moreover, the process perspective can also lead to the better use of resources. Business processes can eliminate duplication of data and wastage in storage and can also restructure ineffective interdepartmental communication networks. This can lead to better information flows through the organisation, potentially leading to more effective decision making by management. Furthermore, the business process perspective can yield benefits for an organisation through improved customer service and customer relations, a value-adding emphasis and, potentially, a competitive advantage. Business processes are typically built around the desired product or result that is to be achieved. More often than not this will be based around the customer, whether inside or outside the organisation. As a result, customer satisfaction, attention and service are potentially higher in a process-focused organisation. Business processes can also provide an organisation with a competitive advantage, with organisations increasingly looking towards the design of their business processes as a means of distinguishing themselves from the host of competitors they may face in their industry. This competitive advantage comes from the design of business processes that are unique or offer something different.

*Learning objective 2.3 – identify and describe a business process.*

5. The design philosophy of ERP systems is centred on the idea of best practice. Discuss the disadvantages of this approach.

*Answer:*

The business processes supported by an ERP system have been designed and programmed into the system based on what is deemed to be, following research and investigation, the best way to perform them (i.e. best practice). These standards of best practice are one of the compelling reasons for organisations to adopt ERP systems as they are and not change the software.

However, the aim of any organisation is to gain some form of competitive advantage over its competitors. A competitive advantage is something unique that a business does that is not offered by its competitors and thus represents a way for the organisation to distinguish itself from the rest of the field. One way for an organisation to do this can be through the configuration of its business processes. Organisations designing business processes and considering the adoption of ERP systems need to carefully consider their existing business practices, how they provide a competitive advantage, and how the business processes represented in an ERP system will fit or conflict with them. The aspect of homogeneity in ERP packages is that an ERP package's best practices and processes are available to every organisation willing to pay for it. If all organisations adopt the software and have the same underlying processes, how can they distinguish themselves and gain a competitive advantage?

*Learning objective 2.4 – appraise the benefits of organisations adopting a business process perspective.*

*Learning objective 2.5 – critically evaluate the role enterprise resource planning (ERP) systems play in business process design.*

6. Briefly explain the management issues and the people issues when an organisation is moving to a business process-based environment.

*Answer:*

The first stage in adopting a business process perspective is that it must be represented in the design of the organisation. How the organisation is managed must change if the change in perspective is to be taken seriously. As with most things associated with change, support needs to come from the top down. But the reality for some organisations can be that the change at the top is difficult. Shifting to a process-based organisation can mean significant changes in the way people perform their duties. What was once a traditional, narrowly defined specialist job can become a generalist and diverse role. This pushes the rights to decision making further down in the organisation's hierarchy. As a result there can be a power shift in the organisation, with the middle layers of management resisting such changes to their responsibilities.

A shift to a process perspective has the effect of breaking down functional barriers and divisions that previously existed. The focus shifts beyond the traditional and narrowly defined duties associated with the functional perspective of the organisation. This can lead to increased authority for those lower in the organisation, as well as a more stimulating work environment.

Pursuing a process focus can often mean shedding a layer of middle management, as the organisation looks for value-adding activities and the removal of non-value-adding activities and functions. This can create a degree of resistance among those threatened by the change for two reasons. First, the manager may face redundancy, which is not an enticing prospect. Second, the manager may face a change in roles and responsibilities and, possibly, the loss of some authority.

*Learning objective 2.6 – interpret and communicate issues for organisations changing to a process-based focus.*

7. The philosophy of TQM is geared around four main concepts. Explain.

*Answer:*

The philosophy of TQM is geared around four main concepts: quality, people, organisations and the role of management.

The assumption relating to quality is that the costs of poor quality, as represented through the costs involved with rework and product returns, are greater than the costs associated with developing and refining business processes to generate high-quality output.

The people aspect of TQM refers to how people within the organisation are valued for both their contributions towards the process and their ideas about how the process can be improved. People within the organisation need to be encouraged to provide feedback about the design of a process – particularly at the lower levels of the organisation – since it is often these people who have the best understanding of how the process really operates, because they work as a part of it every day.

The organisational aspect of TQM essentially refers back to the earlier discussion of business processes and the process-based organisation. It emphasises that the organisation does not operate as a series of independent departments but that functions interact to provide a good or deliver a service. This presents some issues for the organisation that is looking to improve its processes, because it requires representatives from all the functions involved in a process to be involved.

Finally, TQM asserts that change and improvement can only occur if they have the support and endorsement of top management. After all, it is the top management of an organisation that designs the structure of the business and the processes that occur. So TQM requires management to focus on processes, rather than individual functions, and provide strong guidance and support for change efforts.

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

8. There are four key components of the definition of BPR. Explain.

*Answer:*

Business process re-engineering (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. The four key components of this definition are fundamental, radical, dramatic and process.

The fundamental aspect of the BPR definition forces an organisation to question what activities it performs as a part of its current process. It is aimed at looking at what takes place in the current system and questioning whether it is really needed.

The radical component of the definition essentially compels organisations to start again, discard what already exists and redesign from scratch. Also known as the clean slate approach, its objective is to encourage thoughts about new ways that a process could be performed, rather than just tinkering at the edges of existing approaches.

If an organisation undergoes a BPR effort, it is looking for a dramatic return or improvement, especially when the risk and cost of a BPR project are considered. Therefore, BPR is aimed at achieving large improvements in the key performance indicators that an organisation uses.

The process aspect, reflected by its appearing in the name of the concept, is central to BPR. The thrust is that organisations must forget about functional perspectives, as well as the associated hierarchies and bureaucracies, and place the emphasis on the processes that are actually performed. Business processes, as previously discussed, comprise the mechanism for provision of value to the customer, and BPR is about improving processes to provide more value to the customer.

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

*Learning objective 2.8 – critically evaluate BPR techniques.*

9. Identify and briefly explain the eight steps that should be followed to manage successfully the transformation of an organisation to a process perspective.

*Answer:*

Establish a sense of urgency. The first step in a BPR project is to convince others within the organisation that it is actually required. While the term 'establish a sense of urgency' may seem a little drastic, the challenge is to convince those who decide whether the project goes ahead that the re-engineering effort is actually required.

Form a leadership team. BPR is not something that can be accomplished overnight. It is a time-consuming and challenging process that must involve representatives from across the organisation. It is important, from very early on, that a leadership team is established to guide the project. This team should be representative of the entire organisation, and not be made up of representatives from one division within the organisation. The team may also include some influential external stakeholders, depending on the nature of the changes to be made. Those on the team should also be of authority sufficient that when they say something needs to be done it will not be questioned or challenged.

Create and communicate a vision. Organisations need a map of where they are heading. This business map is described as a vision, outlining where the business will be after the change takes place, how things will be better, the effect it will have on the key stakeholders, both internal and external, as well as some outline of how the vision can be achieved.

Empower others to meet the vision. Those within the organisation need to be encouraged to try the new way of doing things. Quite often this can involve more than just employee retraining. While there may be an element of new skills and training that is required for the employee in the re-engineered environment, organisations should also consider other factors that influence employee behaviour in the workplace.

Plan for and create short-term wins. Any long-term project requires positive feedback for the impetus to remain. Without it, motivation and drive for the re-engineering effort will wane and people who originally supported the concept may drop off the idea. To avoid this possibility, landmark events or deliverables should be built into the re-engineering effort, and acknowledged or celebrated when they are achieved. Even though their attainment does not represent the completion of the re-engineering effort, it does signal to employees that the project is progressing. Psychologically, having to meet short-term deadlines on the way to meeting long-term goals can also help maintain the urgency and commitment to the project.

Consolidate improvements and encourage further change. One big risk faced by an organisation is that once the re-engineering effort is complete, the employees will adopt the new process for a short time but gradually revert back to the 'old way of doing things', rendering the re-engineering effort unsuccessful. Re-engineering is not only about changing a process within an organisation; it can also be about changing the culture and attitude that pervade that process. This is no easy task and can take several years.

Institutionalise the new approaches. Linked to the previous point, the challenge for the organisation is to make the re-engineered process the second nature of employees – that is, change their behaviour so that the new way of doing things fast becomes the usual way of doing things. This has a lot to do with the culture of the organisation.

*Learning objective 2.7 – summarise and evaluate approaches to changing business processes, in particular business process re-engineering (BPR).*

10. Identify some of the risks associated with BPR.

*Answer:*

BPR is not without its critics, who often claim it ignores that organisations primarily consist of people, who are not something that can be re-engineered, as a machine can. Further, critics often say that to throw out everything and start from scratch is an extreme measure that introduces unnecessary risk. The risks involved in the clean slate approach are obviously great because with the organisation essentially starting from scratch, if the newly designed and re-engineered process fails, then there may be nothing left to fall back on. Therefore, many would advocate a much more conservative, small-step approach to change, rather than the all-encompassing approach that is inherent in BPR.

*Learning objective 2.8 – critically evaluate BPR techniques.*