

Business Process Re-Engineering Case

Perry Tong

The Issue

An Australian construction equipment rental & leasing firm had decided to implement an Enterprise Resource Planning system in 12 months. During this 12 month period there was an expectation that all front-end services including Sales, Customer Service, Receivables, Payables, would be re-designed to achieve streamlining and simplification prior to ERP implementation. Operations spanned 18 cities across Australia with many more small 're-sellers' located in the Australian interior or 'outback' as it is locally known.

Compounding a normal organisational and operational setup was the fact that this firm grew a substantial portion of its business through the acquisition route thus effectively incorporating myriad systems and practices.

There were 5 Receivables systems, 4 Payables systems and a decentralized customer service database (more than 200 input platforms) which needed to be tied together to make the ERP implementation work.

COE's Response

Kicking off with a future state vision of where this equipment rental & leasing firm was going to be in 12 to 18 months time we brought together the disparate pieces of business function by function as it was presently set up.

The customer service portion was the first to come under scrutiny as that fed into the Receivables and Payables systems directly and impacted cash flow to the firm. The various 'systems owners' were asked to come together for a one week pow-wow where COE facilitated a session using spaghetti diagramming. Once common flows and standards were defined and identified we collectively set about operationalising new standards by which the Future customer service interface, internal to this firm, was going to 'feed' information.

In a massive physical exercise spanning the walls of a 3000 sq ft room the sequences of activities, requirements and constraints were laid out and investigated. These were then aligned between Receivables / Payable 'outputs' and Customer Service 'inputs' (information) & 'outputs' (billings, receipts, delivery orders, payments etc).

Heavy doses of Lean thinking were applied to the entire exercise during its 8 iterations to dramatically reduce cycle time and improve quality of inputs/outputs. Systems Thinking was applied to understand process drivers and constraints vis-à-vis the impending ERP implementation.

Project Costs & Yields

Spanning a period of 9 months from inception to delivery of results the project costs included the assembly of all process owners and selected process operators in a common location. Net benefit from this undertaking was that the firm now is able to operate on a single platform with a universal set of process inputs and outputs which brought billing cycle time down from 4 weeks to 2 days with an improvement in accuracy rate of 99% up from 87%. Payments to vendors or for rebates were accelerated from an average of 6 weeks, to 2 weeks (depending on contractual obligations). Due to this BPR undertaking, driven by the demand to standardise for ERP implementation customer service satisfaction ratings jumped from 78% to 92% over the course of the half year post project implementation. Savings were further realised on lower transaction costs as a direct result of billing and payment accuracy improvements leading to a net savings of approximately AUD \$500,000 per year. An immediate ROI, greater than 1, for consulting costs not yet factoring the intangible benefits of increased customer satisfaction, streamlined processes and a common process platform from which ERP was successfully implemented.

About the Author

Perry Tong is the Singapore-based Managing Consultant for Centre for Organisational Effectiveness Pte Ltd, a management consulting company. He helps companies in Asia, Europe and North America understanding the importance of process improvement with impact on working capital reduction and increased customer service level. He has extensive experience in implementing process and organisation improvements for various industries.

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