Re-engineering in Tourism: Application and Success Factors

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Re-engineering: What Is It?

Looking at the development of quality management, we see that the Japanese had spread the quality movement throughout the 1960's and now Western companies are determined to use the philosophy and practice which has led them to strong global positions and competitive advantage (Gadd and Oakland, 1995). Actually in the 1980's, total quality management (TQM) became a fashionable management philosophy of the West. For example Ritz Carlton Hotels Chain has gained a huge success in applying TQM and as a result has gained Malcolm Baldrige National Quality Prize in 1993 (Walker 1996:374). However, although TQM application had brought success to many companies, recent surveys has shown that up to 80% of companies adapting TQM fail to show the benefits. There are quite a number of reasons for this failure; ranging from an inability to absorb what is primarily a Japanese philosophy and culture, to the fact that TQM may take many years to show tangible benefits. The 1990's has seen an explosion of interest in what has become known as re-engineering.

Have you ever asked yourself these questions:

- "How is the firm doing?"
- "Are we tracking the right measures?"
- "Do we have departments that are idle, not functioning at the optimum or that are under capacity?
- "How are the procedures related to our processes functioning in terms of efficiency?"
- "Are we making progress fast enough?"
- "Are we using the best process practices?"

Reengineering can provide you with facts to answer the questions stated above. Business process re-engineering, also called business process innovation was

developed by former MIT professor Michael Hammer and it is an approach to dramatically improve operating effectiveness through redesigning critical business processes and supporting business systems, as opposed to incremental improvement (webmaster@utsi.com). Re-engineering is an organizational tool that involves the improvement of processes and is about redesigning the key business processes which involves examination of the fundamental process itself (Değişim Mühendisliği Gazetesi, 1996 :1). It looks at the details of the process, such as why the work is done, who does it, where it is done and when. By focusing on examining the process of producing the output (in terms of a product or a service), it develops the process's ability to add value to the ending product or service.

Business process re-engineering is essentially value engineering applied to the system to bring forth, sustain, and retire the product, with an emphasis on information flow (Hammer and Champy 1993). By mapping the functions of the business process, low value functions can be identified and eliminated, thus reducing cost (Dean, 1995). Re-engineering is composed of six steps:

Step 1 - Create a re-engineering framework: the purpose of this step is to build a comprehensive foundation and framework for the entire process.

Step 2 - Identify customers and their needs: the purpose of this step is to develop a concrete and comprehensive understanding of the target customers' needs and wishes. By determining the target customers' needs and wants and satisfying them, the process will be redesigned such that it clearly provides added value to the customer.

Step 3 - Map the existing process: the purpose of this step is to gain an understanding of the "what" and "why" of the targeted process that will reinforce the need for significant change and provide a basis for the redesign step.

Step 4 - Measure process performance: the purpose of this step is to measure the achievement and figure out the discrepencies form the planned results. This is done by collecting the appropriate and relevant data about the targeted process and then translating the data into redesign goals like level of improvement, time etc.

Step 5 - Redesign the existing process: the purpose of this step is to formulate /customer-focused breakthrough redesign concepts based on the knowledge gained.

Step 6 - Implement and redesign: the purpose of this step is to manage the implementation of the redesigned process and apply other key learning from the previous steps to achieve the improvements in business operations.

Re-engineering Success Factors

More than half of early re-engineering projects failed to be completed or did not achieve bottom-line business results and for this reason business process re-

engineering success factors have become an important part of the related studies. Success factors are nothing more than a collection of lessons learned from experience and re-engineering projects applied at hotels, other lodging facilities, food and beverage establishments and travel agencies. The teams or success factors that leads to successful outcomes for re-engineering projects in hospitality include (BPR, 1997);

1. Top management sponsorship: Major business process change typically affects processes, technology, job roles and culture in the workplace. A significant change to even one of these areas requires resources, money and leadership. Changing them simultaneously is an extraordinary task. If top management does not provide strong and consistent support, most likely one or more of the factors of, money resources or leadership, will not be present over the life of the project severely cripples the chances for the success. The permanent support of active leaders play an important role in inter dynamics of quality management (Koontz, O'Donnell and Weihrich, 1986:397).

2. Strategic alignment: The organisations should be able to tie the re-engineering project goals back to key business objectives and the overall strategic direction for the organisation. This linkage should show the relationships from the top to bottom in the organization chart, so each person can easily connect the overall business direction with re-engineering effort. The organisation should be able to demonstrate this alignment from the perspective of financial performance, customer service, associate value and the vision for the organisation.

Re-engineering projects not in alignment with the company's strategic direction can be counterproductive. Moreover, without strategic alignment the key stakeholders and sponsors may find themselves unable to provide the level of support the organisation needs in terms of money and resources.

3. Business case for change: The organisation must be able to communicate the business change in one page or less. If the report requires more space than this, it indicates that either the problem or the customers are not fully understood.

The business case should be simple and short and well understandable. It should cover the few critical points. It should talk to the current state and what impact the condition has on customers, associates and business results. The business case should state the drivers that are causing this condition to occur. It should focus on customers and connect this plan to specific, measurable objectives related to customers, associates, business results and strategic direction. Also, it should cover how much time and money is needed. The business case for change will remain the center piece that defines the project and should be a living document that the re-engineering team uses to demonstrate the success.

4. Proven methodology: It is important to select a proven methodology that includes a vision process. Creating a vision is one of the most challenging tasks undertaken by a team or an organisation. "Vision" refers to completed articulation of the future state-values, processes, structure, technology, job roles and environment. The basic steps to create an effective vision includes: casting the team carefully, defining the project scope and objectives clearly, building profound knowledge in the team, standing in the future and creating a principle centered vision (Haitt, 1995).

For a success in creating an understandable vision, the team members not only should understand re-engineering, but they should also know how to go about it. In short, an approach which meets the needs of the project, which the team understands and supports is needed.

5. Effective change management: One of the most overlooked obstacles to successful project implementation is resistance from the implementers. Most projects underestimate the cultural impact of major process and structural change and as result do not achieve the full potential of their change effort.

Change management is the discipline of managing change as a process, with consideration that deals with people. It is about leadership with open, honest and frequent communication. The better the change is managed, the less pain will be suffered during the transition and the impact on the work productivity will be minimised.

6. Line ownership: The ownership must ultimately rest with the line operation, whether it is manufacturing, services, logistics, sales, etc. For successful results, the line organisation to have the awareness that they should contribute their knowledge for implementation. At the same time, the expertise from outside of the organisation, which could be in terms of consultancy is needed. Building this partnership is the responsibility of the line organisation, stakeholders and re-design team.

7. Re-engineering team composition: The re-engineering team composition should be a mixed bag. It may compose of; some members who do not know the process at all, some members that know the process inside-out, customers, some members representing impacted organisations, one or two technology gurus and some members from outside the company.

Moreover, keeping the team under 10 members is important. If this is difficult, some representative members may be delegated. In addition, for change to occur and be sustained, the following ingredients must be present:

1. Vision: A vision is required so that all people working at the process will be aiming toward the same goal. A vision is a picture of what is desired in terms of people, products/services, processes, facility, culture and customers. Everyone in the

organisation must be to see what is desired so that all significant decisions and actions will bring the organisation a little closer to that vision.

2. Skills: Skills are required so that people will be able to perform the necessary tasks in the new process. Such skills might be technical, leadership or interpersonal values. In this phase, educating top management in concepts and implications and enlisting leadership are critical elements. In addition, tolerating ambiguity, ensuring union contract flexibility and managing diversity and conflict are important issues to handle, especially in international hotels and tourism establishments which face the cultural diversity problem.

3. Incentives: Incentives are generally the last element to change. Without incentives, people will not change or will make only gradual changes. Incentives include recognition and rewards, as well as individual comprehension of what's in me. When incentives are changed, the organisation gets the change desired, because people make the best off from the changed incentives. Incentives must be led, sold and targeted by top management and the executive team should be accountable for results.

4. Resources: Resources can include people, money, information, facilities and any equipment necessary to achieve the change. Without resources, people will become very frustrated with the mandate to change.

Among the resources; committing time and energies of the best people, committing 25% of the leader's time, providing re-engineering coaching and support, committing at least 50% of the time and energy in re-engineering to change management, benchmarking, making outsiders part of team and identifying and committing implementation resources to change are important issued to consider.

5. Action plan: An action plan with activities, responsibilities and target dates gives the plan for change. Without the action plan, there will be false starts because people won't know what to do next or how the different actions all move toward the same goal.

Action plan consists of; implementing, continuing after process design, having organisational overlays made by the management, preparing top management to direct change, pilot testing, reflecting focus on change management and ensuring continual updating. Ensuring that each of these elements is in place is critical to the success of re-engineering effort.

What Results Can Be Expected?

The direct benefit companies get from re-engineering is (often 50%-100%) significant process improvement. Costs are lowered while speed, quality and service are dramatically improved. Unfortunately, re-engineering seldom (only 20% of the

time) makes a significant impact on the organisation's bottom line. To translate process improvement into higher profit and revenue and lower costs for the business unit, requires breadth, depth and leadership in re-engineering.

Re-engineering has a greater chance of success if it is viewed as leading to growth and value-creation. Although it may ultimately lead to downsizing and lower costs it shouldn't be stated as the reason for re-engineering since otherwise employees will not generate the enthusiasm and support needed to make it happen.

There are costs to re-engineering that must be considered before deciding that this is the right strategy for an organisation. To achieve significant gains will take time - typically two or three years to translate to new core processes and business systems. Just getting to the beginning of the implementation phase often requires four to ten months. The amount of time needed will depend on many variables, including:

- Breadth, number and complexity of the business processes selected,
- Sense of urgency of top management to change,
- Level of resource commitment and participation,
- Tolerance level of top management for ambiguity and organizational involvement.

Therefore, due to all the advantages re-engineering brings with itself, tourism establishments should re-center on value added activities by making the most of new information technologies with respect to internal tools of management and of restructuring their relationships with their partners.

Application of re-engineering in Tourism

Tourism is a driving force for the economy which generates wealth, along with direct and indirect employment. This sector is the booming industry of the future and given the importance of this activity for hundreds of millions of people in the use of their free time it could be one of the most important economic sectors of the 21st century.

Re-engineering could be a helpful tool for tourism establishments which want to improve their effectiveness and profitability, along with their competitive forces. Tourism establishments which want to implement BPR in their establishments may accomplish it by setting up a re-engineering team that comprise a number of people who know the process to be reengineered, and a number who don't. There is no formal methodology for running a re-engineering session, but professionals cite a number of recurring issues of reengineered process applicable to tourism industry (Cohen and Ewyk, 1996):

- several jobs are combined into one: the process changes from an assembly line model to a process team or case-manager one.
- the steps in the process are performed in a natural order and work is performed where it makes the most sense.
- processes have multiple versions.
- checks, controls and reconcilations are minimised, because the quality of work improves and because the number of external contact points are reduced.
- hybrid centralized / decentralized operations are prevalent and often made possible by the use of information technology.
- information technology like expert systems, decision-support tools, telecommunications, etc. are heavily used.
- workers are empowered to make decisions and their jobs are enriched because they deal with multiple tasks instead of single ones.
- people performance is measured more in terms of results instead of level of activity.
- management style changes from supervision to coaching and from scorekeeping to leading.

As well as engineering team, there are other roles to be accomplished in the re-engineering process. A senior executive must authorise and motivate the overall effort and the manager responsible for the process to be re-engineered should convene the re-engineering team.

All process improvement efforts require a sound methodology and implementation, and in the same manner re-engineering in tourism establishment is the same. The steps involved in re-engineering is such:

1.Set objectives and define the scope of your efforts
2.Gain support from your organization
3.Select a re-engineering approach
4.Identify the process renovation
5.Gather information (research, surveys, etc)
6.Distill the learning
7.Select ideas to implement
8.Pilot
9.Implement

Service industry leaders are responding to re-engineering with anything from mergers to minor shifts in strategic thinking. Some of them are faced with outdated organizational models that are complex and inflexible. One of the key success factors for reengineering in tourism is usually the ability of industry leaders to redefine their organizations in terms of process (Gentry 1998, BPR Online Learning Center Series).

Process was defined in an earlier part of this article by Jeff Hiatt, as a set of inputs transformed to produce outputs to the customer. A feedback loop from the customer back to the process is necessary for process management. Customer input is also necessary to define organizational processes. In order to become process centered, tourism industry leaders will have to ask: Who do we serve? What do our customer(s) perceive as being whole services or "outputs"? These questions force the organization to begin and end with the customer(s) and will optimize the quality and speed with which the organization can respond to their changing needs.

Successful Examples from the Tourism Industry

First successful application of re-engineering to hospitality industry is about ALPHA Flight Services which is the leading flight caterer in the UK, delivering 40 million airline meals a year. ALPHA has developed process improvement program by the help of quality assurance department at ALPHA. This program was composed of a structured and comprehensive application of Business Process Reengineering principles. The company has achieved substantial improvements in productivity, stock turn, and cycle times. The applied process involved three phases: review, measurement, and implementation. There was a strong emphasis on communication, training, and coaching. The process utilized industrial engineering tools, with IT in an enabling role (Baker and Sweeney, 1999: 52-55).

Another successful example comes from the results of the study conducted by Vivienne and Weeks, which covers reengineering in the are of meetings, incentives, conventions and exhibitions (MICE) (Vivienne and Weeks,1999). Actually this area of hospitality comprise one of the fastest growing areas of the Tourism and Hospitality industry. In the Asia Pacific region the sector has grown by 124% in the period 1980 - 1996. Australia is currently ranked third in the world share of meetings is now the number one convention destination in the Asia Pacific region. Within Australia the MICE sector generates about A$3 billion annually in direct expenditure from both the international and domestic markets. The surge of interest in Australia as a convention destination following the gain of the 2000 Olympic Games had ensured that the convention market will boom over the next ten years.

National government through a number of reports and strategies have identified that the industry needs to ensure its continued improvement and development of high class service standards in order that it can compete with the more established convention and meeting destinations. The organisation and structure of convention services management within hotels might embrace the concept of re-engineering, become more process orientated and as a result more customer focused. Vivienne and Weeks' study outlines the final results of a study of convention service management in 4-5 star hotels. The study implies that the convention hotels in Australia have embraced the concept of re-engineering and they have re -structured their convention departments to overcome the traditional weaknesses of lack of communication, unclear lines of responsibility and difficulties in cross functional co - ordination. The results from the study shows that development of an organisational model consisting of a re-engineering process in Australian 4-5 star convention hotels, enables their convention service departments to be completely customer focused and to provide a quality of service that " delights the customer's senses."

Another successful example is from travel industry. Gulliver's Travel Agency has gained many positive impacts form the application of re-engineering in its' organization. By the strategic incorporation of developing technology into client and supplier processes had both reorganised the business on a global level, with the emphasis on improving the quality of service and speed of processing while reducing costs regularly (Babai , 2000).

Conclusion

In today's highly competitive industry, firms are doing their best to satisfy needs and wants of the customers. Because they know that the only way to success is best achieved by satisfied customers. Business process reengineering is an important tool in the production process for the satisfaction of the customers. It is also applicable in every area of tourism.

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