CHAPTER 2

Literature Review

2.1 Introduction

Enterprise transformation is an emerging discipline that is built upon the subject matter, knowledge, methods, tools, and theories of the reference discipline of Enterprise Engineering. “Enterprise transformation concerns change, not just routine change but fundamental change that substantially alters any organizations relationships with one or more key constituencies, eg., customers, employees, suppliers and investors. Transformation can involve new value propositions in terms of products and services, how these offerings are delivered and supported, and/or how the enterprise is organized to provide these offerings. Transformation can also involve old value propositions in fundamentally new ways”. “Transformation occurs in – and is least partially driven by the internal context of the economy and markets (Rouse, 2005).

Enterprise transformation is often triggered by financial performance deficiencies, i.e., anticipated or experienced transitions from superior performance to inferior performance. These deficiencies are due to a lack, or a loss, of competitive advantage. Transitioning back to superior performance usually requires that enterprises invest in regaining competitive advantage in one form or another (Nicola McCarthy et al, 2015). Industrial and governmental organizations are constantly striving to align their operations with a changing environment (Ackoff, 2006; Burnes, 2004).

Many a times, an enterprise’s capacity to deliver the desired outcomes is inhibited due to changes in the business environment and the gap between the actual output and the strategic intents become large due to which its viability dwindles and the operating model is not in tandem with the environment. This could be due to the result of economic, political, social, socio cultural or technological factors. This forces the enterprises to look up to convert itself from its present state to a future desired state to help itself survive and grow.
Enterprise transformation aligns people, process, technology and resources to impart value to the customer which in turn helps in the improvement of customer satisfaction levels and hence retain customers and grab a considerable market share and ultimately result in better profits for the enterprise through modified or revamped processes and cultural and technological changes.

This literature review enumerates a broad review of reengineering, enterprise transformation and change models.

2.1.1 Review

Hammer (1993) defines Reengineering as “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”.

**Approach:** The approach towards reengineering have been pointed out as:

- Business process needs to be redesigned
- It needs to be a radical redesign
- The improvements need to be dramatic

**Method:** The idea behind Hammer’s theory “Don’t automate, obliterate!” is to begin with a clean slate by wiping out the existing processes, systems, people and activities and construct a new environment right from scratch.

**Goal:** The idea behind reengineering a process that is core to the business is to provide value to the customer and make improvements in terms of productivity, quality, cycle time, etc. and reduce costs.

Business process reengineering (BPR) focuses on changing from Management focus to customer focus, Activity management to result oriented work, Decision awaiting employee to decision making employee, Functional orientation to process orientation, Serial wise operations to concurrent operations.

These need to be done through core process analysis and reassembly of the process to make it more efficient and reduce costs by proper streamlining. According to Muhammad Nauman Habib and Attaullah Shah (2013) “Change is becoming a
necessity in today’s environment of massive competition and drastic technological changes thus, it is of great concern for the management and consultants to plan accordingly otherwise, they (company) will get out of competition (out of market).

Davenport (1993) has stated the use of the clean slate approach followed by a radical change in the business process and the use of technology as a change enabler followed by changes in the human resource to transform an enterprise.

**Approach:** Start with a clean slate and go for radical change.

**Method:** Reengineering an organization begins with management support and to be successful, requires proven methodologies, training and technology.

**Goal:** Reengineer the organization for overall improvement.

Commitment from management is considered to be greatly important to enable transformation (Davenport 1990, Guha 1993, Hall 1993, Talwar 1993, Cypress 1994).

Maull et al (1995) created a five step methodology for BPR.

**Approach:** Reengineering of the business process.

**Method:** A five step methodology comprising of Identify manufacturing and IT strategies- Identify key processes and performance measures- Analyze existing processes- Redesign and implement processes- Monitor and continuously improve new processes.

**Goal:** Improve processes through redesigning and information technology

From the above it is clear that the scope is not specified and improvements are based on the present situation of the processes.

While Harrington (1992) suggested an incremental improvement method and used the term “Business process improvement” and Hammer and Champy (1993) were of the view that BPR cannot be achieved in small or incremental steps but needs to be a radical “all or nothing proposition”, Davenport (1993) states that a
combination of both incremental and radical change will bring the desired transformation.

Balogun and Hope Hailey (2004) and Beer and Nohria (2000) have stated that though there are a lot of cases on organizational change more than 70% of the organizations have failed in the change initiatives. While this is the case for large enterprises, how can small enterprise go through transformation successfully?

Davenport (1990) suggests that a process could be redesigned with the help of the following five step process redesign model.

![Davenport's Business Process Redesign Methodology](image)

**Fig. 2.1** Davenport’s Business Process Redesign Methodology

**Approach:** redesign the organization’s business process by leveraging IT.

**Method:** Begin with developing a vision and objectives- Identify the processes to be redesigned- Measure current process- Identify IT levers and develop a prototype process.

**Goal:** Reduce overall cost of operations and time and improve the output quality and worklife quality.

. The main emphasis was on redesigning an existing process through leveraging provided by information technology and create new organization structures along process lines and come out with an improved process which could be tested and improved further if necessary. The processes chosen for redesign were generally the high impact processes, while supporting processes were neglected. Further only measurements related to specified objectives were taken into account in the third step to identify the IT levers in the forthcoming step and other unmeasured areas would remain without much improvement.

Hammer (1996) was of the view that processes needed to be subject to radical modification or a complete redesign of the process was to be done. Hammer came out with the continuous cycle process improvement method as indicated in the figure below.
**Approach:** Use the power of technology to make changes in the business process through radical redesign to achieve dramatic performance improvements.

**Method:** Begin the redesign process with Identifying needs of the customers-Benchmarking competitors- Performance gap identification- setting goals and vision-Modifying or replacing the process as required- Evaluation of results- Measuring improvements and continue the cycle

**Goal:** Make changes in the process else replace the entire process to achieve a quantum leap in the organizational performance

![Diagram](image)

**Fig. 2.2** Hammer’s Cycle of Process Improvement

The process started from the customer end through assessing customer needs and benchmarking with competitors to identify the performance gaps that need to be filled up to be followed by setting goals and visions to be achieved through radical process changes, which when evaluated would fetch results that could be measured to assess the process performance. This model is a clear indication of touching upon only the process and none of the other components, while the rest of the areas or components of the organizations are left behind to fend for themselves.

Kotter (1996) proposed the eight step leading change methodology for organizations to make their change effective when it is significant.

**Approach:** Meticulous management of transformation step by step by people.

**Method:** He proposed the following eight steps beginning with Establishing a sense of urgency- Forming a powerful guiding coalition team- Creating a clear vision expressed simply - Communicating the vision - Empowering others to act on the
vision- Plan for creating short-term wins- Consolidating improvements and producing still more change and Institutionalizing the new approaches.

**Goal:** Create a people – centric transformation.

This method could be termed as an exhaustive low failure rate method. It is opined that this methodology is more people-centric and is to be carried out only from a management perspective while the technical front is not given equal importance.

Underdown (1997) developed the Transform Enterprise Methodology (TEM) for small enterprises based on the IDEF0 methodology. He stated that the organization is made of Process, Technology and Culture that needs to be changed.

**Approach:** Make changes in process, technology and culture components.

**Method:** Developing a vision and strategy- creating the desired culture- integrating and improving the enterprise and developing technology solutions.

**Goal:** Complete enterprise transformation by making improvements in process, technology and organizational culture.

**Fig. 2.3** Ryan Underdown’s Transform Enterprise Methodology

This methodology was created based on the IDEF0 function modeling methodology for describing manufacturing functions. Though well crafted,
understanding of the model by laymen (non-engineers) is a difficult task. The changes were related to the three components process, culture and technology while other areas are untouched raising doubts on complete enterprise transformation possibility.

Hamel (2000) proposed the insurrection model. He maintained that to gain success and maintain competitive edge which could create opportunities to grow and profit, radical and non-linear changes coupled with innovation are required.

**Approach:** Insurrection by radical and non-linear changes through innovation.

**Method:** Hamel’s eight step method for change comprises of the following. Build a point of view- write a manifesto- create a coalition- pick targets and moments- co-opt and neutralize- find a translator- win small, early and often- isolate, infiltrate and integrate.

**Goal:** Identify opportunities where innovation can play a prominent role and foment a revolution that ends up in constructive change and development.

This methodology again is a model to pay attention to the management of the organization which is directed towards change, neglecting the technology and resource components of the organization.

Jeff Hiatt (2006) introduced the ADKAR model to assist employees through change processes. He proposed that the business as well as the employees need to change simultaneously to make the change process effective.

**Approach:** Simultaneous change in individuals and organization through changes in activities that drive individual change to end up in total organizational change.

**Method:** ADKAR is an acronym that represents the five outcomes an individual must achieve for successful change: awareness, desire, knowledge, ability, reinforcement. The various stages have to be carried out in a sequential order.

**Goal:** Strengthen the employees for transforming the organization as a whole and sustain the improvements.
According to Jeff, there should be awareness of the business reason for change followed by the desire to change through engagement and participation. Knowledge about the change process needs to be present along with the ability to change and realize the required performance levels. Reinforcement of all the above is needed for sustaining the transformation process. The goals must be achieved sequentially for effective change and sustenance of the change. The model is given below.

![Fig. 2.4 Jeff Hiatt’s ADKAR Model](image)

Harmon (2014) maintained that the entire transformation is executed as a project and the concept of project management is brought into the picture. Before beginning the transformation process, research is carried out on what to change and what not to change. This is followed by interviews, group facilitation, documentation techniques and methods to performing certain activities.

**Approach:** Understand the current situation and execute transformation like a project.

**Method:** The idea of change management is communicated and the given sequence is followed. Understand the drivers of changing, analysis of business process, redesign the business process based on the analysis. Then implementation of the new process is carried out and ends with rolling out the redesigned business process.

**Goal:** Create a comprehensive approach to process improvement.

The model concentrates more on identifying drivers related to the process and redesigning the process alone. The model is given as under.
Peter Altman and Carmen Lee (2016) proposed that organizational change is affected by cyclical processes involving managerial cognition, organizational capabilities, and organizational resources.

**Fig. 2.6 A Model of Organizational Change**

**Approach:** To build and link cognitive capabilities of managerial cadre employees to capabilities of the organization and resources of the organization to create change.

**Method:** Data collection – Data Analysis – Identification of managerial cognition – Identification of organizational capabilities and resources – Linking these to create change.

**Goal:** Create organizational change using cognitive capabilities of the employees.

The model revolves on the theory that the relationships and links between managerial cognition, organizational capabilities and organizational resources are core to transformation and that transformation is a co-evolution of managerial cognition, organizational capabilities, and organizational resources. Organizational capabilities
develop over time through the utilization of existing organizational resources. In turn, these evolving organizational capabilities enable novel utilization of organizational resources. Managerial cognition underlies action and commitments that, over time, build organizational capabilities. In turn, these evolving capabilities shape managerial cognition. These combined together can transform an enterprise.

2.2 Gaps in the Literature

It is evident from the above literature review that there are several models for the transformation, different in its own way. A majority of the target seems to be on improvement of the process and the following gaps have been identified.

- No sufficient work carried out to improve the enterprise as a whole.
- A majority of the research concentrates on upliftment and change.
- All the methodologies are time consuming but require high investment too.
- The cost effectiveness of the methodologies has not been given much heed.
- It is clear that there is a need for a cost effective methodology for small enterprises that is simple and cost effective too.

2.3 Conclusion

In summary it may be concluded that there is a continuous need for enterprises to transform. There are several types of models developed over these years and there is a huge need for transformation in a holistic manner. There have been several successes and even more failures. The small industries considered to be immune to competition have started to see new entrants offering better products and services at lower costs. Hence they too have started to feel the need for transformation to survive and grow. It needs to be accepted that the small enterprises have to follow structured processes and use methods to transform themselves. But since they lack the financial muscle of the large organizations they need methodologies that are simple and cost effective.