

Study on Business Process Reengineering for Chinese Traditional Logistics Enterprises

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Abstract: In this paper, after analyzing the predicaments that Chinese traditional logistics enterprises face while launching modern logistics services, the theory of reforming Chinese traditional logistics enterprises with Business Process Reengineering (BPR) is put forward. Then the basic implementation principles are discussed, and the steps of BPR are also analyzed for Chinese logistics enterprises. Moreover, five relevant measures of ensuring the success of BPR for them are concept reengineering, system reengineering, organization reengineering, culture reengineering and technology reengineering.

Key words: business process reengineering; logistics enterprise; logistics service; measure; principle

1. Introduction

Since the 1990s, the forming of economy globalization, changing of modern operation modes and wide application of information technology have brought logistics enormous demands, but these also have given a huge impact on traditional logistics enterprises. At the same time, with the development of modern logistics and opening of the logistics market to the outside after China entering the WTO, the logistics market of China becomes orderly and normative increasingly, the competition of logistics market is fiercer and fiercer, the change of the logistics market environment quickens further, and customers' demands of logistics service have such new characteristics as individuation and integration. But Chinese traditional logistics enterprises have evolved from warehouse enterprises and transportation enterprises that were set up in the period of the planned economy mainly, their main functions are to store and transport the goods, their logistics technology and management and information technology are backward. So traditional logistics enterprises lack the competitiveness of market and it is difficult to offer multi-function, all-side and integration services for them. In order to adapt them to these new situations, improve enterprise's key competitiveness and market share, expand the business scope, offer modern logistics services and meet customer's individualized and integrated logistics demands, traditional logistics enterprises carry on the reforms in such aspects as concept, overall network arrangement, information technology, function structure, management mode (FU, 2003), moreover they do their best to make the transition from backward and simple logistics operator to modern logistics enterprises voluntarily one by one.

Therefore, BPR offers traditional logistics enterprise a method of solving this problem effectively. By using BPR, Chinese traditional logistics enterprise can rethink about the logistics business procedure fundamentally and redesign it completely (YAN and CHEN, 2003).

2. Predicaments for Traditional Logistics Enterprises while Launching the Logistics

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2.1 The low level and unreasonable overall arrangement of traditional logistics network

Because the influence of the planned economy, enterprises of materials circulation have such drawbacks as the barrier between different departments, stark management system, low level and unreasonable overall arrangement of logistics network for a long time. They have no ability to offer the convenient and swift services to the customers. So these are limiting enterprises' development. Moreover, at present, logistics enterprises build network with focus on oneself, set up this kind of logistics network within a certain industry or little system at most. In fact, the trans-industry and trans-regional logistics networks do not really come into being in China.

2.2 The low informatization and automatization degree of traditional logistics

In traditional logistics management, computers are only limited to the transaction of daily affairs, and the application degree of computers is low. The development of logistics information system which meets the demands of concrete operation is also laggard, therefore, the decision of important problems in the logistics are still in the experience decision state, digitization management modes do not come into being still in most enterprises.

At the same time, the whole logistics technologies such as transporting technology, storing and keeping technology, loading and unloading technology, handling technology, packing technology, circulating process technology are also relatively backward. Moreover the information transaction technologies such as Bar Code technology, Discerning Automatically, Electronic Data Interchange and Global Positioning System have not met the development requirement of logistics service. These make enterprises unable to control one's own logistics service immediately and unable to realize the information sharing with the customer and alliance logistics enterprise (WANG and LIU, 2002).

2.3 Weak service consciousness and logistics activities of not surrounding customers

When traditional logistics enterprises offer the logistics service to the market, they focus on resources of their own enterprises and regard cost accounting as the orientation of service value mainly, but do not regard the market value and customer's value as the orientation, thus weak service consciousness comes into being. The shortage of serving consciousness is mainly shown by passivity, fluctuation and short-term of service, so it is very difficult for traditional logistics enterprises to achieve the customer's value-added aim.

2.4 Single function structure and operation mode

The logistics includes a series of activities of transporting, storage, handling, packing etc.. With the social development, it is also thin further to divide the work in logistics. In China, traditional logistics enterprise deals in storage or transportation business, so the enterprises function structure and operation mode are single. They mainly rely on the development of the industry and lack the external competitiveness, and their abilities of integrating resources are low. Moreover they seldom have comprehensive logistics ability and are affiliated enterprises inside a certain trade. Therefore they can't meet the needs of logistics service development.

3. Business Process Reengineering for Traditional Logistics Enterprises

3.1 The basic principles of BPR for traditional logistics enterprises

3.1.1 Focusing on customers' satisfaction

Enterprises are in the work environment of customer's leading, competing drastically and changing fast nowadays, the market has already shifted from seller's market to the buyer's market, so the flow of products through the factory should abide by the pulling mode of the market absorbed in the user's needs, not the pushing mode of meeting the production plan schedule.

3.1.2 Adapting to the changeable market environment with the strategy of fast reaction

With the constant change of enterprise's competition environment, enterprise's competition contents take on the new characteristics of changing dynamically. Enterprise's competition relied mainly on price competition in the seventies of the 20th century; it relied mainly on quality competition in the eighties of the 20th century; it relied mainly on service competition in the 1990s; it relied mainly on fast reaction competition at the beginning of 21st century. At present, the producers of homogeneity products have a large difficulty in winning the market competition with quality and service, the key factor of the competition is that products can respond to the customer's demands fast, and enter the market with the shortest time. So, enterprises must seek the ways of forming competition advantage of the fast reaction (LI, 2001).

3.1.3 Forming the new industry chain and supply chain with the logistics

The modern commercial competition will represent the competition between supply chains more and more, but not the competition between markets or brands. The management of the supply chain pursues the optimal benefit of the whole, but not optimal benefit of some parts. So supply chain is a kind of effective commercial alliance mode that is used by suppliers, manufacturers and retailers to increase the competitiveness.

3.1.4. Changing the functional management into the course management

The thought of course management pays attention to the output of the course. It connects the course with the customer's satisfaction degree, absorbs the value intension of "lean production" and "value engineering", analyzes and adjusts the course with the value view, withdraw such functional departments that don't contribute to the increase in value or the main goal, simplify links and work positions for the indirect increase in product value, delete all unnecessary value, un-added activities of auditing, checking, and controlling, etc..

3.1.5 Changing and reengineering logistics process with the logistics equipment and information technology

Modern logistics is pursuing the close link up of the production process, customer's satisfaction degree, and time-efficiency ratio of the logistics course, and guarantee the total cost advantage of the logistics at the same time. So these make logistics enterprises take logistics equipment, device, technology and information technology as the hardware support of the logistics, in order to enhance the service quality of the logistics, then improve the fast respond ability and strengthen the logistics operation benefit.

3.1.6 Changing the management mode with the fictitious economy method

The third party logistics is the specialized social logistics, namely on one hand, by utilizing professional knowledge of the third party logistics, the logistics course is operated and managed and the logistics solutions are designed; on the other hand, the logistics course is organized, controlled and managed by making full use of the otiose logistics equipment and unused establishment of the society. So a kind of dynamic fictitious management mode, which can reduce regular input of logistics enterprises, has been formed. The mode can adapt logistics enterprises to fast changing environment nowadays, and is one high elastic management mode suitable for the third party logistics organization.

3.2 The steps of BPR for traditional logistics enterprises

3.2.1 Analyzing and diagnosing the business process

The existing business process of enterprises is described at first, and the questions of the existing process are analyzed, then the existing process is diagnosed. According to the goal of serving well and responding fast, BPR is implemented. Moreover BPR should abide by the value chain of logistics enterprises and regard customer's logistics demands as the starting point.

3.2.2 Redesigning the business process

The most pivotal process, which meets the customer's key demands, operation objectives and competition

demands, is chosen to reconstruct at first, this can get the result from point to area, then the result of rounded breakthroughs finally. The key value of the logistics enterprise's business is the level of logistics services, which is reflected by service stability, service quality, service variability, service response speed, service cost, etc.. The key activities of the service level are the customer service (customer's demands for logistics and customer's response to logistics), transport, storage control, flow and management of information. According to the result of the analysis and diagnose mentioned above, the existing process is redesigned, and is made to tend towards rationalization.

3.2.3 The implementation of BPR

The redesigned process is applied in the operation and management of logistics enterprises really in this stage. The process reengineering can embody that some working processes are amalgamated, then handed to one person to accomplish; the personnel, who accomplish some working processes, constitute the group or the team for working together; serial processes is changed into synchronous processes. The Key of BPR is the support of information technology and the application of modern management skill. If logistics enterprises implement Management Information System (MIS) or Enterprise Resource Plan (ERP) while implementing BPR, the management modes of enterprises will be changed completely, therefore, BPR can not only realize the innovation of enterprise management but also guarantee the success of MIS or ERP, and get twice the result with half effort.

3.3 The five relevant measures ensuring the success of traditional logistics enterprises' BPR

3.3.1 Concept reengineering

Concept Reengineering is the basic ideological guarantee for BPR. Under the conditions of the current society and economy, if logistics enterprises want to combine enterprise logistics resources and implement BPR, they must establish the concepts as follows: (1) The mission of BPR is to create values for customers. (2) The logistics business process is playing a very important role in bringing values to the customer in logistics enterprises. (3) The success of logistics projects should attribute to the excellent performances of logistics process. (4) The excellent performances of logistics process is obtained through the design of scientific process, disposal of suitable personnel and good working environment, especially the design of scientific process (including the application of advanced logistics network technology), which is the fundamental guarantee of that logistics enterprises to make fast reaction to customer's demands and the logistics process has the validity.

3.3.2 System reengineering

System Reengineering is the guarantee of credit environmental construction for BPR. The development of enterprises needs the guarantee of perfect market systems. Therefore, to implement BPR in China, some measures about the system should be made as follows: (1) Relevant departments of China government should set up the system of right criterion and protection, which offers the protection of the law to citizen's property. (2) The government should always emphasize the seriousness of enforcing the law and act in accordance with the law during the process of standardizing the market order and promoting enterprise's prestige. (3) Logistics enterprises should strengthen the construction of various kinds of rules and regulations based on enterprise's basic system, and perfect the technical criterion, operation, personal behavior and various kinds of management systems.

3.3.3 Organization reengineering

Organization Reengineering is the organization guarantee for BPR. Because of the finitude of enterprises' resource investment and marginal substitute effect, enterprises are not likely to obtain the profit increase by expanding the enterprise scale infinitely. Under the new economic condition, the development of science and technology, especially the development of the network technology of the computer, making the close join between enterprise logistics resources and social logistics resources possible. So after identifying the core competition

seriously, traditional logistics enterprises should comply with the demand of more and more detailed labor division in society, outsource non-core business of enterprises to worldwide “expert” enterprises, and set up the fictitious enterprises organization.

3.3.4 Culture reengineering

Culture reengineering provides soft environment guarantee for BPR, and is one high form of process reengineering. It has enormous restricting force and driving force to enterprise, and can guarantee the favoring completion of BPR for logistics enterprises. Culture reengineering, including the transitions of the mission, basic goal and strategy, is the most complicated and difficult one in the whole reengineering. The success of implementing culture reengineering needs the enterprises having a new kind of value idea. Moreover, culture Reengineering should be carried on under the attention of the top leaders of enterprises, have the planning of the long goals and emphasize the sustainable development of enterprises at the same time.

3.3.5 Technology reengineering

Technology reengineering is the infrastructure and hardware guarantee for BPR. It should regard the needs of logistics enterprise’s business process as the premise, and consider about operation technology, information technology and management technology of the logistics mainly. Logistics enterprises should carry on technology reengineering according to the level of technical equipment, the characteristic of logistics operation, the status of informatization and the general requirement of BPR. Through the new technologies needed in their logistics operation, logistics enterprises should set up their own logistics information system, adopt the network technology to connect each working cell, and structure the Intranet (QIN, 2002), thereby various kinds of logistics resources can be coordinated. Then logistics enterprises connect the Intranet with Internet. These measures will offer the reliable technical support for the operation of the fictitious logistics enterprise.

4. Concluding Remarks

With the thorough opening of China logistics market to the world, a large number of foreign logistics enterprises will enter China or be set up in China, so the competition among all kinds of logistics enterprises will be fiercer. Traditional logistics enterprises have a lot of deficiencies in the respects of information technology, management mode, and concept, network overall arrangement, network scale homework mode, etc., thereby, it is necessary for them to implement the reforms based on BPR. Traditional logistics enterprises should implement BPR orderly according to the basic principles, implementation steps and enterprises’ own actual conditions. At the same time, concept reengineering, system reengineering, organization reengineering, culture reengineering and technology reengineering should be implemented. Thereby traditional logistics enterprises can reduce the logistics service cost, improve the logistics serves efficiency and quality, and realize the strategic aim of succeeding in making the transition from traditional logistics enterprises to modern logistics enterprises.

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