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THE IMPACTS OF BUSINESS PROCESS REENGINEERING ON ORGANIZATIONAL CONTROL

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While the benefits of process integration in business reengineering have been enthusiastically publicized, the impact on organizational control, e.g., the compression of responsibilities and the elimination of checks and control, has received little attention. Inadequate attention to these issues can result in reengineered systems that are exposed to excessive risks or reengineering attempts that are prematurely self-defeating as they contradict the underlying control philosophy. This research seeks to analyze how BPR has changed the controls within an organization. It is primarily motivated by the lack of a theoretical framework within which the disparate control observations from the BPR literature can be examined and reconciled and the lack of focused empirical research on organizational control within a reengineering context.

This research first details the organizational control framework proposed by Kirsch (1996) which integrates prior work from organizational and agency theories. The model highlights outcome measurability, task programmability, and behavior observability as the antecedents to control. Contingent upon these antecedents, a different control mode—be it behavioral, outcome, clan, or self—should be deployed. The premise of this research is that the radical changes brought about by BPR would cause a new set of antecedent conditions to emerge. Correspondingly, the control strategies would be affected.

To examine these propositions, an in-depth case study was conducted. Three reengineered processes of varying structuredness at the Inland Revenue Authority of Singapore were selected for analysis. Through interviews, observations, and archival analysis, evidences on the control mechanisms and the control perceptions of tax officers were gathered. The qualitative findings are further triangulated through a survey of 179 employees on their perceived working environments before and after reengineering.

The research questions and the preliminary findings from this study are summarized below:

- **How does organizational control evolve consequential to BPR?** The emergent controls appear to be systematically related to the nature of reengineered processes. The predicted increases of outcome control for operational/administrative processes and clan control for knowledge processes are supported. However, there is little support for the hypothesized reduction in behavior control. Further analysis suggests the “downward inflexibility” of existing controls. New mechanisms are introduced as “add-ons,” overlaying the existing structure. This observation thus challenges the implicit economic rationality behind Kirsch’s control framework.

- **Why are changes in organizational control occurring?** The results from this research provide initial support that changes in organizational control follow naturally as a necessary consequence of process integration. However, the observed changes in organizational control cannot be entirely attributed to process integration. One key moderator is information technology. Qualitative data from the case study also suggested other antecedents, planned and unplanned.

- **How are these organizational control mechanisms implemented?** While it was noted that more forms of controls are exerted, their implementation reveals an increased management rationalization of the risk-return investment behind control mechanisms. The consistently higher correlations among the control modes after reengineering
suggest the emergence of control mechanisms, which exert a multiplicity of control modes, thus “[fusing] a number of previously separate mechanisms” (Orlikowski 1991). Control portfolio is also subtly re-packaged through work rules automation, segmentation of transaction streams, deference to back-end analysis, “customer” control, and the enhancement of informal strategies.

REFERENCES
