Business Process Re-engineering in Ethiopia

Berihu Assefa/May 2009

 I prepared a short note on 'Business Process Re-engineering (BPR) in Ethiopia' as per the request of Prof. Keinichi Ohno. His request in one of his emails to me reads as follows:

> *"At this time, if you have time, can you ask around and check how Ethiopia is implementing Business Process Re-engineering (BPR)? This is an American idea but most donors seem to use it. It appears that BPR is quite popular in Ethiopia for public sector reform (not so much for private firms). Can you find exactly what they mean by BPR in Ethiopia, and what concrete procedures are taken (maybe a few examples) to improve the public sector? Is there any case where BPR is applied to private firms?"*

I.   BPR: Concept

Business process reengineering (BPR) began as a private sector technique to help organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors. A key stimulus for reengineering has been the continuing development and deployment of sophisticated information systems and networks. The Business Process Reengineering method (BPR) is the fundamental reconsideration and radical redesign of organizational processes in order to achieve drastic improvement of current performance in cost, services and speed (Hammer, 1990; Thomas H. Davenport and J. Short, 1990; Hammer and Champy, 1993). Their claim was simple: most of the work being done does not add any value for customers, and this work should be removed, not accelerated through automation. Instead, companies should reconsider their processes in order to maximize customer value, while minimizing the consumption of resources required for delivering their product or service.

A FIVE STEP APPROACH TO BUSINESS PROCESS REENGINEERING

Davenport (1992) prescribes a five-step approach to the Business Process Reengineering model:

1.   **Develop the business vision and process objectives**: The BPR method is driven by a business vision which implies specific business objectives such as cost reduction, time reduction, output quality improvement.

2.   **Identify the business processes to be redesigned**: most firms use the 'high-impact' approach which focuses on the most important processes or those that conflict most with the business vision. A lesser number of firms use the 'exhaustive approach' that attempts to identify all the processes within an organization and then prioritize them in order of redesign urgency.

3.   **Understand and measure the existing processes**: to avoid the repeating of old mistakes and to provide a baseline for future improvements.

4.   **Identify IT levers**: awareness of IT capabilities can and should influence BPR.

5.   **Design and build a prototype of the new process**: the actual design should not

be viewed as the end of the BPR process. Rather, it should be viewed as a prototype, with successive iterations. The metaphor of prototype aligns the Business Process Reengineering approach with quick delivery of results, and the involvement and satisfaction of customers.

II. What exactly is BPR in Ethiopia? What concrete procedures are taken to improve the public sector?

As soon as the current government came to power, it started rigorous reforms (first phase reforms from 1991 to 1995) in three fronts:

- Economic reform – from central planning to market economy
- Political reform – federalism, and power and fiscal decentralization
- Constitutional reform – enacting the Ethiopian constitution

The question was whether Ethiopia has a bureaucracy that is capable of doing these reforms or not. The government employed private domestic and foreign consultants to study the implementing capacity and effectiveness of the bureaucracy. The consultants identified that Ethiopian bureaucracy is characterized by

- ✓ Very hierarchical with many non-value adding works/positions/staffs
- ✓ Nepotism and lack of transparency and accountability, and corruption)
- ✓ Lack of leadership capacity
- ✓ Input based and not output based – i.e. output not measured.

It was difficult to undertake reform with this bureaucracy. The consultants recommended the establishment of new institutions. The "Ministry of Capacity Building" with the mandate of undertaking reforms in all public institutions (esp. education and the civil service) was established. Also "Anti-corruption Commission" with the mandate of avoiding unaccountable and untransparent procedures in public institutions was established.

Over time it was believed that an important condition to undertake the reforms was to implement BPR. It was identified that to solve the problems of hierarchical bureaucracy with many non-value adding works/staffs/positions, nepotism, etc; BPR is seriously implemented in all public institutions gradually. The reason why the Ethiopian government adopted BPR is that the current system has to be completely changed and redesigned and BPR can do this job. Services delivered by the public institutions are characterized by

- ✓ Long time taking
- ✓ Costly (high transaction cost)
- ✓ Incompetence (not up to the needs of customers)
- ✓ Not responsive (many complaints, questions, comments etc from customers but no response)
- ✓ Not dynamic (the world is changing but our public institutions are stagnant)

People have choices when they buy products from private firms. However, government services are one (no choice). At the same time it is people's democratic right to get appropriate and satisfactory services from public institutions. As a result of the implementation of BPR, painful practices in each public office were identified, and many non-value adding works/positions are avoided. For example, it was found that deputy head departments were actually doing nothing.

At the end of the day BPR enables a 'one stop shop mechanism" – where customers get all public serves in one place at low cost.

So far BPR is implemented in public offices and publicly owned big institutions such as "the Ethiopian Telecommunication Corporation", "The Ethiopian Power Corporation" and government banks. However, private firms have not adopted it yet in Ethiopia.
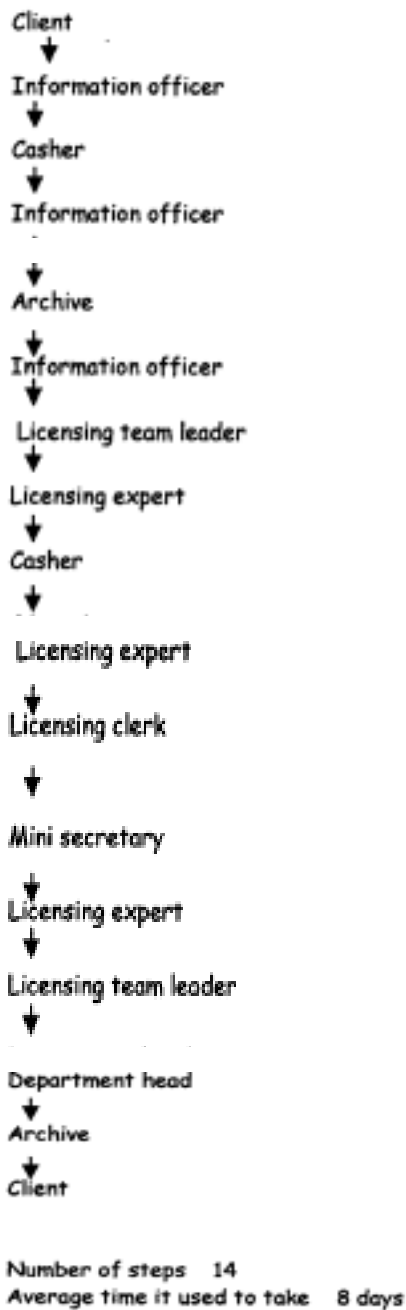
III. Examples of Improved service Delivery: Making Public Institutions Transparent, Efficient and Effective

The experiences of the Ministry of Trade and Industry (MOTI), the Ethiopian Investment Commission, and the Ethiopian Customs Authority are instructive examples of how institutions can be transformed to be more responsive, efficient and effective. These three public institutions were taken as good examples in the IMF Country Report No. 06/27 for Ethiopia (2006). By way of highlighting the major achievements of the implementation of the Civil Service Reform Program, the following are worth noting:
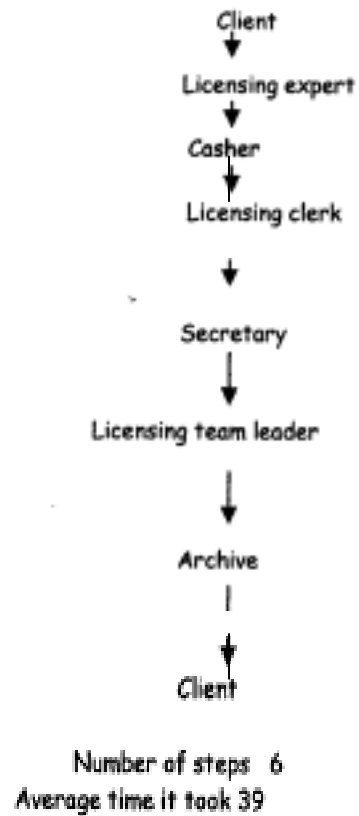
a) **The Ethiopian Investment Commission:** It used to take 18 steps and 25 days on average for an individual business person to secure an investment license, where as now after the conduct of Business Process Reengineering (BPR) by the Commission it only takes an individual 4 steps and 2 days to get his/her investment license. The same service used to take 39 steps and 108 days for a company where as now (after BPR) it only takes 4 steps and 2 days. Securing main registration certificates used to take 18 steps and 28 days for an individual businessperson before the BPR where as now it only takes 4 steps and 2 days. The same service used to take 39 steps and 96 days for a company, whereas now it takes the steps and time as the individual business to secure registration certificates.

b) **The Ministry of Trade and Industry (MOTI):** It used to take 14 working steps (processes) and two and a half days to secure a trade license for an individual business person where as now (after the Ministry conducted BPR), it now only takes a business person 6 work steps and 34 minutes to get a trade license.This same service used to take a company 26 working steps and 35 days. After the conduct of the BPR, it only takes the same work steps and time as an individual business (6 work steps and 34 minutes, respectively).

c) **The Ethiopian Custom Authority:** Securing loading permits from Djibouti used to take 43 work steps (processes) and 2 days where as after the Authority has been re-organized and undertook BPR, it only takes 6 steps 15 minutes to get the service. Checking and fixing a container with a customer seal used to take 8 steps and two days before the BPR, whereas now it only takes 3 steps and 40 minutes to get the same service. Declaration acceptance, approval, examination, release of exported items and distribution of declaration used to take 8 steps and 2 to 15 days, where as now it only takes three steps and 26 minutes to get same service for a business entity.

Figure 1. Work Flow of Licensing Activities in License and Registration Department (LRD, MOTI)

Workflow of licensing service before reform

Client
↓
Information officer
↓
Casher
↓
Information officer
↓
Archive
↓
Information officer
↓
Licensing team leader
↓
Licensing expert
↓
Casher
↓
Licensing expert
↓
Licensing clerk
↓
Mini secretary
↓
Licensing expert
↓
Licensing team leader
↓
Department head
↓
Archive
↓
Client

Number of steps   14
Average time it used to take   8 days

Workflow of licensing service after reform

Client
↓
Licensing expert
↓
Casher
↓
Licensing clerk
↓
Secretary
↓
Licensing team leader
↓
Archive
↓
Client

Number of steps   6
Average time it took 39

Source: Progress report. Office of Civil Service Reform Program Feb 2005

Figure 2. Workflow of Registration Activities in License and Registration Department (LRD, MOTI)

Work flows of registration service before the reform

Client
↓
Information officer
↓
Archive
↓
Information officer
↓
Casher
↓
Information officer
↓
Expert
↓
Casher
↓
Expert
↓
Registration clerk
↓
mini
Secretary
↓
Expert
↓
Team leader
↓
Department head
↓
Archive
↓
Client

Number of steps 16
Average time it used to take 2 days

Work flows of registration service after the reform

Client
↓
Expert
↓
Casher
↓
Clerk
↓
Secretary
↓
Team leader
↓
Archive
↓
Client

Number of steps   6
Average time it took 34

Source: Progress report. Office of Civil Service Reform Program Feb 2005

Officials and resource persons in MOTI explained that the license and registration Department (LRD) is estimated to serve more than 20,000 clients a year and provides 31 types of Licensing and Registration services. Moreover, as the figures above show, apart from reducing unnecessary work chains, BPR has reduced the amount of time it takes for users to receive services, thereby inhibiting the scope for corruption.

As indicated in Figure 1, before the introduction of BPR, a client had to go through 14 steps and had to wait for at least eight days to get his/her license. Apparently the steps have been reduced to only six and the average time reduced to only 39 minutes. Likewise, as indicated in figure 2, before BPR a client had to go through 16 steps and had to wait for two days on average to get trade names registered. After BPR, the steps have been reduced to six and the average time has been reduced to 34 minutes. This is a spectacular reduction in work process and time in the Licensing and Registration services. This is an indication of the extent to which this particular department of MOTI had been operating inefficiently in the past. This inefficiency had also contributed to an unfavorable legal-business environment in Ethiopia and pinpoints hurdles the business community had been confronting for years. BPR has apparently brought untold satisfaction on the part of the clients. To get rid of the lengthy processes involved, clients used to bribe clerks and some unit heads to get things done. This process has successfully closed the door for malpractices and corruption ingrained in the system over many years.

References

- Common, K. Richard and Hailemariam, Getachew (2006), Civil service reform in Ethiopia: Success in two ministries.

- Davenport, Thomas & Short, J. (1990), The New Industrial Engineering: Information Technology and Business Process Redesign, in: Sloan Management Review, Summer 1990, pp 11-27

- Hammer, Michael (1990), Reengineering Work: Don't automate, obliterate, Harvard Business Review, Jul/Aug 1990, pp 104-112

- Hammer, Michael and Champy, James (1993), Reengineering the Corporation: A Manifesto for Business Revolution.

- IMF (2006), the federal democratic republic of Ethiopia: Poverty reduction strategy paper – 2003/04 Annual progress report. IMF country report No. 06/27