

The impact of Financial Reengineering Process on Business

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Abstract

The business condition of the present day has turned out to be complex to the point that associations are essentially to be cognizant to react to the new difficulties and openings. This has imagined the need of constant change the board procedure. The change must suit the authoritative atmosphere and convictions to be acknowledged and soaked up. The role of the leadership of an organization has to realise the essential to reorient and should initiate the change process. The output of such a progress would be either development or improvement or both. In such a circumstance numerous associations will in general concentrate in recognizing developments as opposed to progress. Be that as it may, the last is viewed as progressively suitable in achieving the assignment. Business process re-engineering (BPR), which is an idea and it, is a prominent tool for reconstructing the hypothesis. Indeed, the procedure of re-engineering not just cultivates a good atmosphere strong of attractive change yet in addition improves the association's likelihood of progress.

Keywords: Re-engineering, BPR, Budget Framework, EVA

I. REENGINEERING IN FINANCE

Money related reengineering is cognizant exertion. Money related Re-designing is the re-establishing or changing of items, frameworks, individuals, and brands. It isn't building the framework yet realizing changes in monetary structure and includes re-measurement of subjective business variable. The fundamental essence here that budgetary reengineering activities ought to be proper and ought not be costly. Reengineering ought to be a period bound program else it winds up old before usage.

Nitty gritty arranging is important to make the procedure of reengineering effective. The

administration of the procedure of reengineering, post reengineering results, the general money saving advantage investigation of each stage and the effect of reengineering have all to be worked out ; idealistic, moderate and negative projections. The reason and degree of reengineering need to quantitatively and subjectively all around characterized.

II. FINANCIAL REENGINEERING - OBJECTIVES

The key objectives of the Finance Re-engineering are:

- New Budget Framework-facilitation

- Reporting and communication of standard financial processes
- Identification, review and improvement of key process controls
- Improve the efficiency and accuracy of financial data captured
- Introduce structures to facilitate future introduction of project costing and provide more useful and reliable information to a wide range of decision makers
- Reduce the number of cost centres in the General Ledger;
- Improve financial (statutory) and management reporting.

III. FINANCIAL REENGINEERING – WHEN & WHY

The association ought to need to utilize the reengineering handling which the association makes the new imaginative plans to overhaul the procedures of the association to get the target. Every association must decide itself when it is proper for them to reengineer. Reengineering ought to be done just in the event that it can help in accomplishing an improved vital position. In the event that the organization is at the bleeding edge of an industry that has quite recently experienced real changes re-building probably won't be fitting. Be that as it may, if the association works with hold models rather than new advances and methodologies utilized by others, re-designing might be direly required.

Various strategic marker s that require reengineering include:

- Realization so as to contenders may have leverage in quickness, cost, suppleness, aspect or assistance.
- New dream or technique: a requirement to fabricate functioning abilities.
- Need to re-examine key choices, go into the modern market or rethink items/administrations.

- Core working procedures depend on obsolete suspicions/advancements.
- Strategic business targets appear to be absurd.
- Change in commercial centre as - Loss of piece of the market share, new premise of rivalry/new contenders, fresh guideline, shorter item life cycles, and recent innovations to participate.

A business includes enthusiasm of different partners who either bolster it or repudiate it. The partner during the time spent expanding their riches, attempt to get an influence on each conceivable front by compensating the other. Each premium gathering attempts its dimension most ideal to snatch greatest comes back from the business.

A success win circumstance can't be relied upon to turn up unfailingly in spite of the fact that endeavours are made to bring such a circumstance pretty much constantly. In spite of being having a traditionalist way to deal with cost control prompts the departure of a decent open door for making future benefit there may be some vulnerability because of which advertisers or the proprietors need to think for the reengineering of the considerable number of techniques of the business.

The association should utilize strategies in the short run and techniques over the long haul to deal with its funds if a definitive outcome is to be great. For this expense and advantages from each corner must be investigated in the esteem chain of the association. For accomplishing such an objective there must be an adaptable methodology for accomplishing the ideal outcomes, with practical achievement.

IV. FINANCIAL REENGINEERING – PROCESS

The business condition of the present day has turned out to be complex to the point that

associations are fundamentally to be cognizant to react to the new difficulties and openings. This includes a consistent procedure of dealing with a modification. The possibility that the modification is fundamental, alluring with productive inside the recognized example of association is reasonable.

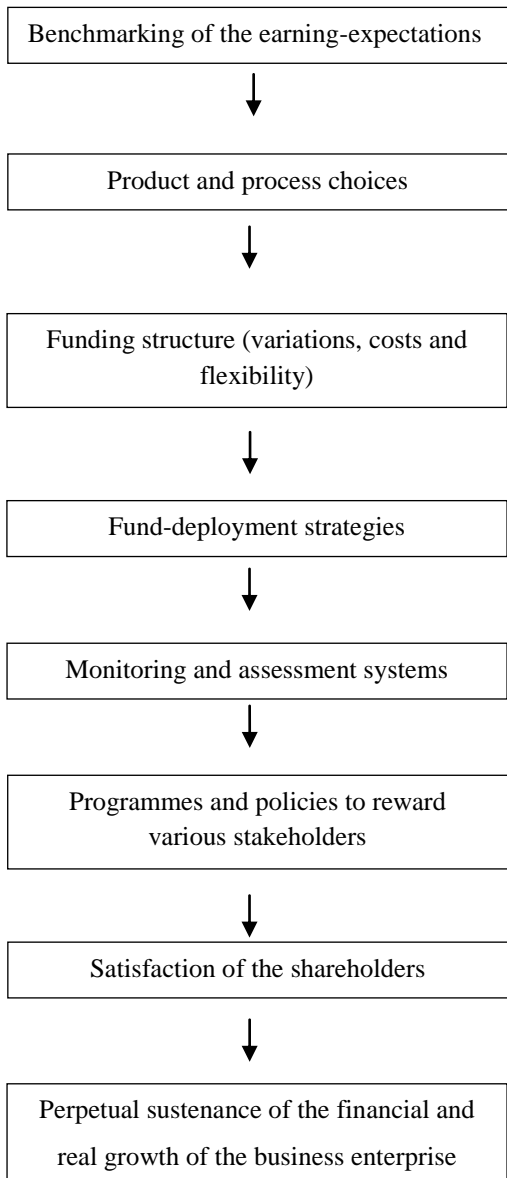


Fig 1. Process of Financial Reengineering

V. VARIOUS FORMS OF RE-ENGINEERING

Re-engineering, the essential remodel of business practices and organisational arrangement is consist of various forms which are as follows:-

1. Financial Restructuring

2. Corporate Restructuring
 - a. Mergers /Acquisitions
 - b. Divestitures
 - c. Demergers

VI. FINANCIAL RESTRUCTURING

Organizations approach a scope of sources from which they fund business. Whichever type of capital is utilized, it will can be categorized as one of the two classifications - obligation or value. An association should reliably endeavour to search for a concordance between its commitment and incentive in its capital structure and the financing of the consequent inadequacy. The goals an association sets in striking this levelling are influenced by business conditions, which just now and again remain reliable. While, amid the existence time of an organization, any of the following circumstances emerge, the Board of Directors of an organization is constrained to think and settle on the organization's budgetary rebuilding:

- Requirement for mixing all the more working financing to fulfil the market requirement for the association's things or organizations; when the association is unfit to meet its present obligations; when the association is unfit to secure further credit from suppliers of rough materials, consumable stores, acquired out portions, etc and from various social affairs like those doing work for the association.
- At the point when the organization is unfit to use its full creation limit with respect to absence of fluid assets.

Monetary rebuilding of an organization includes a modification of its budgetary structure to make the organization's accounts increasingly adjusted.

VII. IMPACT OF FINANCIAL REENGINEERING – A Case Study

ORGANIZATION	REENGINEERING	IMPACT
Ford Motor Company	Invoice processing	The procedure was cultivated by 75% less individuals and increasingly precise budgetary data was delivered.
IBM Credit Corporation	Credit Issuance Process	A credit issuance practices that utilized to get two weeks to complete presently takes just hours with a 100-overlap increment in efficiency
Taco Bell	Reconfiguring of eatery to expand crest limit with respect to a top unit from \$400 to \$1500 for every hour. In the meantime they brought down costs.	Their normal valuing today is about fewer than 25% compared to what it was nine years back.
Hindustan Unilever Ltd	Client Development Guide for Finance was followed in Hindustan Unilever Ltd This tool gives the account group inside Customer Development with tips on structure, assets to remain side by side of retail inclines, and a system for surveying clients and channels dependent on circumstance and hazard utilizing money related and nonfinancial measurements.	This instrument drove noteworthy improvement in exchange ROI (degree of profitability), which filled increments in promoting and offer development.

Table 1: Reengineering impact

Dabur India Ltd. ("Dabur") started its demerger practice in January 2003 after the understanding

of the Board of Directors to hive of the Pharma business into another organization named Dabur Pharma Ltd. ("DPL"). After the demerger, Dabur focused on its center capabilities in close to home consideration, social insurance, and Ayurvedic specialities, while DPL concentrated on its skill in oncology plans and mass medications. Demerger would enable financial specialists to yardstick execution of these two materials with their individual unit guidelines.

VIII. Methodology of Analysis: ECONOMIC VALUE ADDED (EVA)

Any surplus created from operating actions over and above the cost of capital is named as Economic Value Added (EVA). It is utilized by corporate as a performance pointer and is better than return on Investment (ROI). ROI invested appraise is uncertain while EVA is constructive and reasonable. Increment in ROI isn't really useful for investors while increment in EVA is in every case great.

IX. RESULTS OF DEMERGER ANALYSIS

The outcomes of the demerger evaluation for Dabur India Ltd are as follows:

	Dabur FMCG	Dabur Pharma	Composite
Beta equity	0.50	0.53	0.56
Re	11.52%	11.74%	11.95%
Rd (1-t)	5.20%	5.20%	5.20%
D/E	0.22	0.07	0.4
E/V	0.18	0.07	0.29
WACC	10.38%	11.31%	10.02%
C.E	331.77	249.16	580.93
NOPAT	85.60	19.70	105.30
ROCE	27.70%	8.35%	19.45%
EVA	51.16	-8.49	47.08

Table 2: Inferences from Dabur Demerger Study

The result of the examination shows the following:

- The Dabur FMCG business opened an incentive for investors, since the EVA of the FMCG business was more than that of compound business. Dabur Pharma had a negative EVA, unmistakably demonstrating its capital was not appropriately utilized by the combined organization.
- Out of all EVA of the FMCG and Pharma division was lower than that of combined business demonstrating a harmful cooperative energy was available among the two divisions.

The EVA disparity between the demerged tools is predicted as FMCG and Pharma are two especially specific businesses - where FMCG is a low capital intensity business, the pharmaceutical commercial enterprise wants greater capital due to Research and Development actions.

X. CONCLUSION

Success of a firm today happens only if changes are made to suit the dynamic business environment. Financial Reengineering is focused and become essential for the organization to meet the expectation of the stakeholders.

Financial Reengineering offers the following benefits:

- The introduction of the reengineered Finance system, together with process improvements and a new reporting framework will lead to transformation day-to-day financial operations.
- Ease of Access Benefit - Improvements in the availability and accessibility of financial reporting through the establishment of easier “one stop” access to financial detail.

- Ease of Analysis Benefit - Improved cross-University results analysis as a direct outcome of reusability and homogeneity of key financial processes and measures.
- Better Decision Making Benefit - Enhanced financial management capability through a standardized budgeting and reporting approach that provides visibility of gross contribution.
- Research Reporting Benefit - Improved visibility of research project activity and contribution.
- Risk Management Benefit - Identification and implementation of key process controls, with resultant improvement to operational risk profiles.
- Continuous Improvement Benefit - Improved “process capability” through a thorough grasp of the processes - reflected in an enhanced ability to mould and evolve practices in accordance with internal and external needs.

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