

# Implications of Managerial Reengineering on Change Management

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## **Abstract**

*Nowadays, due to competition focused on price, delivery times and quality, companies increasingly emphasize added value through fulfillment of customer requirements and expectations and increased organizational flexibility. Generating added value requires fulfillment of market demands, and a structure based on processes. Accordingly, the company has to focus on these processes. Not all organizational processes are value related, but only those whose results the clients are ready to pay accordingly.*

*As a result of changes in business environment (such as increasing globalization, changes in economic structure due to ascendance of services and developments in information technology) companies requires new ways to do business. One way is to develop human resources. In this case, well trained employees are needed, capable of performing a wide range of tasks. Another way is to adapt or transform to a knowledge sensitive organization, implementing knowledge based management. Finally, another way is to develop company's capability to redesign added value processes, independent of current objectives and products or services. In this case, managerial reengineering is the logical step. This article details relationship between managerial reengineering and change management in several of the most well known reengineering approaches in literature.*

**Keywords:** *change management, reengineering, reengineering models, business process reengineering*

**JEL classification:** M00, M12, D01

## **1. Introduction**

Any organization can be competitive as long it is able to continuously develop on multiple levels (Nicolescu et al, 2009). This comes from the fact that change is a law of life and knowledge of the change process (Ceptureanu SI, 2015a) is one of the factors that can enforce competitiveness in competitive environments (Ceptureanu EG, 2015a, Ceptureanu SI, 2015b).

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Managers and entrepreneurs around the world face problems adapting their organizations to change (Ceptureanu EG, 2015b). The need to study organizational change management came precisely from this situation but also from increased awareness that change is a social process related to human and, hence, a potential source of conflict (Popa I et al, 2009). For people change requires breaking with the past and engaging in new activities, in new environments. Such changes are often difficult, can create uncertainty and requires courage, desire for progress, but also the ability to manage and continuously improve the whole process (Ceptureanu EG, 2015c).

Focus on added value and design of responsibilities for every added value generation stage enable quick reaction to changes within company, facilitating fulfillment of management goals. Consequently, organizations that want to survive in changing environments must face challenges as coping with proximity to market and clients through an intensive customer relationship management, build or develop ability to react quickly and with higher flexibility by moving decision-making responsibilities from operative management to improvement of interface with customers, increase productivity and quality by motivating employees through an effective communication and cooperation system and cost optimization by focusing on core competences, administrative costs cut and workflows simplification (Ceptureanu EG et al, 2012).

Hence several approaches occurred, methods and techniques which were at the core of modern reengineering. It is obvious that any theoretical approach to reengineering can start with the first definition, almost universally accepted today, by Michael Hammer and James Champy (Hammer, Champy, 1993): "Reengineering means fundamental rethinking and radical redesign of business processes in order to obtain of 'spectacular improvement of the indicators considered critical in today's performance assesment, such as cost, quality, service and speed ". Davenport and Short (Davenport, Short, 1990) consider it as "critical analysis and design of production flows and processes within the organization and between organizations". Orman (Orman, 1998) defines it as "reoptimization of processes and organizational structures following the introduction of new information technologies in an organization."

Business excellence is a modern managerial approach, originated in behavioral management, stemming from current needs of organizations on new challenges they are facing. Thus, changes in organizations and their environment require new solutions made possible by development of managerial thinking.

## 2. Managerial reengineering approaches

A. The starting point in modern reengineering approaches was **Hammer and Champy's** (Hammer, Champy, 1993). They consider reengineering an essential process accomplished in six phases:

- Phase 1. Initialization;
- Phase 2. Mapping of organization's processes;

- Phase 3. Selection of reengineering processes;
- Phase 4. Understanding selected reengineering processes;
- Phase 5. Business process redesign;
- Stage 6. Implementation of reengineering project.

During initial phase it is assumed that any change, and implementing reengineering of company's business process is a significant change, causes unrest among employees. Hence, during this initial phase it is essential for management to communicate with them, informing on the vision, mission and objectives the company intends to accomplish. This internal communication campaign must continue well after the organization has been optimized.

Reengineering starts with top executives informing company's employees on reasons for change by "motivating action" or „case for action" (Hammer, Champy, 1993). It explains why reengineering is the only mean of survival for the organization and why the current situation, the major issues the organization is facing, business context and market demands require a radical solution. The second thing that must be announced are objectives of the company after reengineering, meaning "vision statement" (Hammer, Champy, 1993). It emphasize quantitative and qualitative results that the organization aims to achieve, focusing directly on operational issues.

The role of this communication campaign is to eliminate resistance to change of employees. According to Dannemiller's theory (Dannemiller, Jacobs, 1994), resistance to change depends on three key factors: dissatisfaction with the current situation ("motivating action"), vision for the future ("vision statement") and the first steps towards fulfilling this vision. If one of these elements are absent, the result will be negligible and resistance to change will be dominant, threatening the success of reengineering. During second phase, mapping of organization's processes, it is assumed that reengineering targets only processes, namely the organization's activities, not changing its structure, departments, functions or people. One of the milestones, difficult to tackle with, is to identify the processes, which are scattered and fragmented, with no charge for their execution.

The simplest method of identifying a process from reengineering perspective is to determine its coordinates in terms of input ("in") and exit ("to") for the core processes. Usually an organization generally has a maximum of ten core processes.

After identifying these processes they must be assembled and represented in a map which allows understanding how the organization operates. This highlights the framework of the organization's activities and its external links. Compared to traditional organizational chart, this map is simple and easy to understand it includes all essential processes, justifying the existence of the organization, highlighting the overall work in a clear and coherent fashion and therefore identify opportunities for improvement.

In phase 3, **selection of reengineering processes** the focus is on a three-dimensional analysis. The analysis cover: a) *deficiencies*, problematic processes within the company, for example the organization did not coordinate their activities so as to face the uncertainty (unexpected orders from customers), b) *importance*,

processes with the greatest impact on the customer, in terms of cost, quality, speed of delivery and service and c) *feasibility*, size of the process to be redesigned, the larger the size, the higher the benefits, but the probability for success decreases and sometimes high costs of redesigning constitutes a limiting factor for reengineering.

Next phase is about **understanding selected reengineering processes**. This requires highlighting both its operation and the inputs and outputs, a common technique used in this case being benchmarking.

Comparison should refer to the best organizations operating worldwide and not just local or national available companies, the aim being to overcome competitors and not just to catch them.

Regardless of the referential system used, reengineering team must act promptly and creatively so as to identify the most appropriate solutions, which constitute themselves into real barriers for competition.

During the next phase, **business process redesign**, of particular importance is laying down the principles to be followed and schedule of the whole action. Processes can not be redesigned without setting up fundamental principles underlying the reengineering process, their ignoring leading only to marginal improvements. The principles must cover the organizational perspective, traditions and procedures of the organization, defining business processes according to the organization's objectives, developing a vision based on the client; processes autonomy, requiring merging into a single process of decision and control mechanisms and finally, integration of information, using primary sources of information, eliminating intermediate steps in finding information and identify technological levers before redesigning business processes.

Last phase, **implementation of reengineering project**, is made possible under a framework that includes schedule of actions and resources. It ends with a control phase assessing the fulfillment of objectives compared with the schedule.

B. Another approach comes from Davenport and Short (Davenport, Short, 1990:8), basically a five-step approach:

**Stage 1. Develop business vision and process objectives.** Among reengineering specific objectives are: cut costs, cut time, improve quality.

**Stage 2. Identify processes to be optimized.** Most organizations use a high impact approach that focuses on the most important processes or those that contradict their vision. Few organizations use comprehensive approach, which aims to identify all the processes within an organization and then prioritize them.

**Stage 3. Understand and measure existing processes.** It is a necessary step to avoid repeating old mistakes and to create a basis for further improvements.

**Stage 4. Identify IT facilities:** capabilities offered by IT can and should positively influence the processes.

**Stage 5. Design and develop a prototype for the new processes.** Design must not be seen as a final phase of reengineering. On the contrary, the design must be seen as a prototype, with successive iterations.

### **C. Guha approach**

Guha approach (Guha, Kettinger, Teng, 1993) consists of 6 stages and is known in the literature as the "Life Cycle Process Reengineering".

**Step 1. Setting up vision of the new process**, covering issue like availability of full support from company's top management, how to achieve maximum performance in business activities by aligning them with strategy and goals of the business or examine available information technology. Regarding top management support, it is essential to deal with a critical success factor meaning raising awareness of managers on assessing problems and abandon current procedures and methods. In terms of identification of opportunities for reengineering, this requires identification of business processes, establishing customer needs and potential processes that add value to them. Concerning information technology, company must assess what are its needs and additional gains of using it. Finally, examination of the organization's strategy eliminates potential reengineering solutions without strategic significance.

**Step 2. Change initiation**, comprising setting up reengineering team and establish performance targets. Multifunctional character of the processes require reengineering team to include people from different departments. Top management will appoint an employee in charge of reengineering who will assign roles to other team members. In term of setting up performance objectives, it determines the desired performance of new processes considering time, cost and quality (Ceptureanu SI et al, 2015a).

**Step 3. Process Diagnostics**. In this phase, reengineering requires a deep analysis of processes to be redesigned. It comprises actions like description of existing processes, the links between those processes, their resources and efficiency for identification of strengths and weakness. The focus must be on their added value capability (Ceptureanu SI et al, 2015b).

**Step 4. Process Reengineering** requires a multi-dimensional approach considering time, cost, productivity and quality concomitantly. This stage is crucial hence the BPR must carefully considers issue like considering of alternative projects to identify and determine the optimal structure of the process, design of the new process meaning an ongoing review of the need to perform a specific activity and how it can be achieved or redesign of human resources architecture, meaning redefining the job requirements, encourage organizational learning or employees performance assessment approach (Ceptureanu SI, 2015c).

**Step 5. Reconstruction (optional)**. This stage may emerge only if the previous stage goes wrong. Failure during implementation refers to cost or failure to convince employees. Changes in the structure of human resources must be made carefully by building a new organizational structure. While requiring new skills or competence for employees can be achieved rather easy, downsizing may cause major malfunctions in organizational system.

**Step 6. Monitoring the process stage** involves an iterative process, emphasizing performance assessment (new processes vs old processes) productivity of employees, production or servicing and quality improvements.

D. **Johansson, McHugh, Pendlebury and Wheeler approach** consists of three phases (Johansson et al., 1993). The actions in every phase has similar tiles but their actual content is different.

During **Phase 1, Discovery**, the company defines its strategic vision to improve performance and identify processes to be changed. Hence, a set of action will be implemented.

a) Mobilization, envisaging setting up the multidisciplinary and multifunctional team which will select process for reengineering and define reengineering techniques and tools to made it possible. Mapping of essential and support business processes of the organization is achieved.

b) Evaluation, assessing organizational culture and the extent to which the organization can support the expected change effects.

c) Selection, when top executives establishes the essential organizational reengineered process and improvement targets for other processes.

d) Enforcement, top executives engaging directly in support of reengineering.

The second phase, **Reengineering**, comprisis breakdown of reengineering process. During this phase, the main action are:

a) Mobilization, when the team selected during first phase is confirmed and supplemented, if the case, with new members and resources are made available.

b) Analysis. The team details processes to be reengineered, identifying their trends.

c) Innovation, evolving from conceptual design to practical solutions by using methods and techniques for stimulating creativity.

d) Design includes specific solutions for business processes analyzed in the previous action.

e) Enforcement. The top management of the organization is deeply involved in coordination and control of reengineering process.

**Phase 3 Implementation.** Common techniques are used, such as planning, monitoring and control, change management etc.

a) Mobilization includes preliminary actions required by implementation: setting up implementation team, programming etc.

b) Communication covers informing all stakeholders on global vision about change, specific roles and responsibilities of participants.

c) Action. This include implementing tasks and monitoring their fulfillment.

d). Assesment. It includes comparing actual results with forecasted ones.

e) Support. Includes management of reengineering project.

E. **Schneiderman approach** (Schneiderman, 2000) argues that to be successful reengineering must me combined with continuous improvement methods. He argues that a BPR must follow the following sequence:

**Step 1. Define the process.** This step should start with establishing a common language based on its original form to the specific description language of the process. This step is essential in the transformation of intangible knowledge of

the processes in tangible knowledge, making it a starting point for process management.

**Step 2. Simplification.** Reengineering resulted in the need to unify two activities of process management: a) simplifying process, effort to identify and eliminate activities that do not add value in the process and b) radical transformation of process.

**Step 3. Characterization and idealization** concerns the measuring process's performance in terms of customers' requirements. Identifying differences between current and potential performance is the stage precedes setting up of objectives.

**Step 4. Control,** ensuring that the process related metrics remain stable. Outcomes of results which do not meet customer requirements may be approximated with a certain level of accuracy, enabling IT tools to identify the causes of the problem (Ceptureanu SI, 2014). The control is a prerequisite to improve the process, making possible the following steps.

**Step 5. Choosing.** This step covers decision making process aimed at choosing what processes to be redesigned or incrementally improved. The redesign process is costly both in terms of human capital and financially, and a redesigned process often manifests the same flaws as the old one initially. Thus a prudent approach must be employed, avoiding common mistakes like choosing to concomitantly redesign too many processes at once.

**Step 6. Incremental improvement** is the process to improve business outcomes by giving employees the authority not only to perform their routine duties but also to improve the way they perform.

**Step 7. Redesign,** encompassing process redesign: new technology or new organization.

## Conclusions

Since its creation any company seek to manage activities in terms of effectiveness. During development, it must adapt to new conditions arising from its internal and external environment, which oftenly requires organizational change by improving business processes (Ceptureanu EG et al, 2014). Hence, reengineering is a necessity since it represents a response to changes in technical, economic, political, social and cultural dimensions of a company (Ceptureanu SI et al, 2012).

We consider that the reengineering model proposed by Hammer and Champy is a foundation concept for reengineering and its approach is essential in implementing change, being credited with the development of an entire new discipline in change management.

While various methodologies like Davenport and Short emphasizes developing business vision and objectives others like Johansson, McHugh, Pendlebury and Wheeler focus more on discovery, redesign and implementation of methods and techniques using common functional approaches, such as change management.

Schneiderman approach is important considering that his methodology combines methods of continuous improvement while Guha argues that business processes must be continuously monitored as a prerequisite for quality improvement.

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