

REENGINEERING THE MANAGEMENT SYSTEM IN SMALL AND MEDIUM ENTERPRISES' FROM ROMANIA

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ABSTRACT. In Romania almost 99% of the companies are SMEs. For now the only certainty for Romanian economy is the fact that the ability to “invent” new products and services for clients, the capability to offer quick and creative responses to the complex problems which appear in the organization and the capability to find always new ways to improve key-relationship between stakeholders, are becoming the key-factors for differencing and creating the competitive advantage for today and tomorrows success.

If we take into consideration the present evolutions which state that the SMEs are the new knowledge-based firms, it's necessary that in order to be globally competitive, Romanian companies have to support and enhance individual creativity and to use employees knowledge as a way to increase firms profitability.

For Romanian SMEs the necessity of change is becoming more and more urgent. This is why reengineering is becoming fundamental for all organizations. The companies which had the biggest success in persuading the employees about change were the ones who had the clearest messages about the necessity of reengineering.

The paper analyses the role of managerial systems reengineering inside SMEs from Romania. This research intends to demonstrate that reengineering the management system is one of the main conditions to ensure the economical and managerial success of an organization on a period of three to five years. It became compulsory that management system reengineering should follow a special methodology which respects a logical succession of different phases. Based on SMEs development from Romania the paper will present each phase of the reengineering process and in the end will draw some conclusions about future improvements for management system reengineering.

KEY WORDS: Small and Medium Enterprise, Reengineering, SMEs, Management Systems, Reengineering Methodology

JEL Classification: M10, L25, D80, O15

1. INTRODUCTION

Most business models, tools and techniques originate in the theory and practice associated with large private sector organizations. Thus, it is contended that Small and Medium Enterprises (SMEs) often apply business improvement approaches that are fundamentally flawed in an SME context, as they do not start by addressing the key features and constraints of SMEs.

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The reengineering process is a common term used by large consulting firms round the globe in helping their client to restructure business and improve operation. It is usually presented to various kinds of audience as though it is an advanced tool or method that if without engaging consultant the organization would not strive better in this modern business environment.

The main purpose of the article is to answer a series of questions regarding the reengineering process in SMEs. Some of these questions are: Is it possible that critical success factors for reengineering process in large enterprises and SMEs are the same? Is it possible to apply reengineering successfully in SMEs? Can methodologies regarding reengineering, developed in large organizations, be applied in SMEs with minor adjustments?

The first part of the paper describes the existing literature and the methods used for research. The second part of the paper describes the results of the research and the third part draws the final conclusions.

In particular, the approach of SMEs to reengineering definition and methodology are examined. The reengineering process was developed from a background in large enterprises and applied in SMEs. Existing methodologies mainly assume a large organization setting with large-scale resources dedicated to bringing about the large-scale reengineering changes.

2. LITERATURE REVIEW AND METHODS USED

The research was based mainly on an exploratory literature review of different approaches regarding business reengineering in large companies and in small and medium enterprises. Different case studies on SMEs, where reengineering had been applied, were analyzed using a qualitative research methodology. The analysis indicates that the taxonomy and nomenclature of reengineering, as defined by large organization-based studies, has translated into SMEs, but these who use much more general terminology.

2.1 Defining Reengineering for SMEs

In seeking to define reengineering the ongoing development in the field must be considered. The early definitions (late 1980s, early 1990s) are typified by that of Hammer (1990): *"Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, service and speed."*

The reengineering literature is often associated with large-scale innovation and high-risk change. Such views on reengineering are similar to those of Hammer and Champy's (1993), whose views on reengineering have been supported, or disagreed with, by a number of researchers; Hammer and Champy (1993) identify seven key activities associated with reengineering. The four most fundamental are:

- Business process design;
- Dramatic improvement in business processes;
- A process orientation, (as opposed to a functional orientation);
- A radical change in business processes.

Reengineering is dependent on the successful identification and streamlining of processes that add value to the products or services being provided. As such, successful reengineering efforts must focus on the cost and the revenue sides of a business. The fifth of Hammer and Champy's (1993) critical activities is a 'starting over approach'. This involves a mindset that focuses on the total reconstruction of a process and not simply a modification of existing practices.

Strong leadership is the seventh of Hammer and Champy's key activities. Gaining firm support and commitment from top management can easily mean the difference between the success and failure of a reengineering project.

Depending on the nature of the arising problems inside the companies, the following premises regarding the reengineering process had to be taken into consideration:

- Forming a diagnostic team, meaning naming specialists or management consultants who are familiarized with SWOT analyze as a managerial method, but also with the main activity of the company.
- Defining accurately the tasks, competences and responsibilities for each member of the reengineering team in order to avoid parallelism.
- Specifying clearly the objectives of the diagnostic and establishing the necessities and opportunities of such a step in the context of managerial changes.
- The evolution of the knowledge-based economy has determined a lot of changes inside large organizations, but also inside SMEs. In order to determine the increasing of organizational performances, it is necessary to integrate and implement managerial changes through rigorous processes of planning.
- The top management has to establish as clearly as possible the objectives of the "change program".
- Managerial modernization inside SMEs is a necessity, which should ensure superior qualitative parameters for managerial systems.

In order to launch the reengineering process a series of factors which could influence the process, but also its implementation, should be taken into consideration. Among these factors are:

- The internal and international political situation.
- The existence and context of juridical terms.
- The existence of conflicts between stakeholders.
- The nature of the relations between managers, public institutions,

banks and other organizations.

- Organizational culture.
- The nature of the relations between managers, shareholders and employees.
- The existence of general and specific objectives.
- The market structure.
- Etc.

2.2 Process Reengineering for small and medium enterprises

The reengineering process is an extremely good concept and tool for small and medium size enterprise (“SME”) business, and specially for those businesses either in very deep trouble or expanding too fast to the extent that they could not cope with their operation. The concept of reengineering process says that an organization must have a strategy, then set business objective to achieve the strategy. However, in order to achieve the objective effectively, organization can apply the reengineering concept to put the right processes in place. The well-done or world-class process must support with right people, technology and an appropriate organization structure. In order to sum up, it could be much easier with illustration of the following chart:

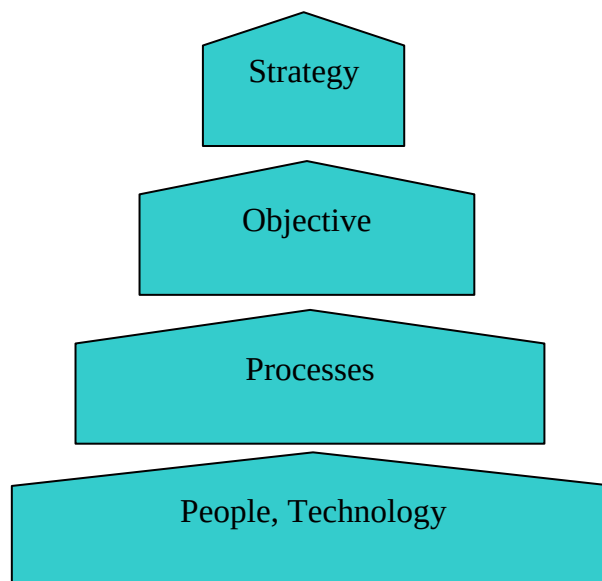


Figure 1: The reengineering process in large companies³

³ JC Management Consulting Co., Ltd, <http://www.jcvietnam.com/BPRSmallBusiness.doc>

However, how many small or medium size business people could really understand about strategy? Most of them manage their business based solely on hard work, and usually the owner is the leader, manager and worker by their own self. Most of successful SME people are hands on person, and most likely they do not even bother about the word of “strategy”, especially in under developing countries business environment. What they usually believe in business success is to be hands on, always in control and hard work, and they expect their staff or worker to be the same.

How should then BPR applicable to SME? By turning the above chart upside down with further modification we can obtain a possible solution for the reengineering process inside SMEs.

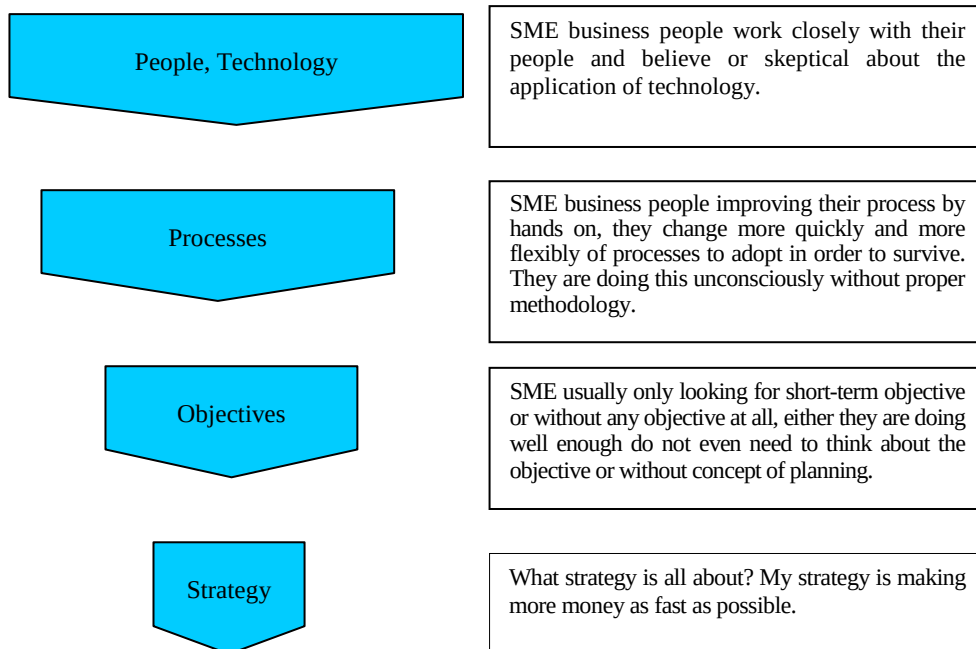


Figure 2: The reengineering process in SMEs ⁴

3. RESULTS AND DISCUSSIONS

After analyzing a series of case studies on SMEs we have developed the following methodology regarding the reengineering process in SMEs. The main phases are:

⁴ JC Management Consulting Co., Ltd, <http://www.jcvietnam.com/BPRSmallBusiness.doc>

1. The diagnostic of the company containing:
 - a) General diagnostic of the firm, which takes into consideration the general indicators of the company.
 - b) Diagnostic of the main activities of the firm: production activities, commercial activities, quality activities, human resources activities, research & development activities, legislation foresight etc.
 - c) Utilization of the diagnostic methodology to underline the main strong and weak points of the firm, their causes and effects, and also for giving recommendations.
2. The elaboration of the knowledge-based strategy.
 - a) The knowledge-based strategy has to take into consideration that knowledge is the main resource for all its components: mission, objectives, strategic options, deadlines, resources, competitive advantage.
 - b) Choosing the strategy which is the best for the company.
 - c) Defining the global strategy of the company.
 - d) Elaborating the strategy for the main activities of the company.
3. The reengineering process inside the company's' management system.
 - 3.1 Specify the economical, technical and computerized coordinates of the reengineering process and establish the specialists' team.
 - a) Choosing the members of the specialist team who will undertake the reengineering process.
 - b) Defining the main changes which will take in the firm after discussions with the managers.
 - c) Learning and understanding the reengineering methodology by the team members.
 - d) Elaborating the reengineering program of the company.
 - 3.2 Reengineering the methodological system.
 - a) Choosing the managerial systems which should be used by the company (Examples: objective-based management, project-based management, knowledge-based management etc).
 - b) Introducing new management methods (SWOT, brainstorming, balance scorecard etc).
 - c) Improving the utilization of classical management methods like delegation and meetings.
 - 3.3 Reengineering the decisional system
 - a) Introducing new decisional lists for each manager.
 - b) Harmonizing decisions inside the company with the objectives of the company.
 - 3.4 Reengineering the informational system
 - a) In order to reengineer the informational system the reengineering team should indicate and identify the hard and soft which should be used in the company and also the documents needed.

- b) Global reengineering of the informational system.
- 3.5 Reengineering the organizing system
 - a) Global reengineering of the organizing system by establishing the maximal number of employees, the type of organizational structure etc.
 - b) Redesigning the posts, tasks and organizing documents.
- 3.6 Reengineering the HRM system
 - a) Introducing new systems, methods used by the knowledge-based HRM system.
 - b) Developing a career plan for employees.
- 4. Implementing the new system which resulted after the reengineering process.
- 5. Evaluating the functionalities, efficiency and efficacy of the system.

Even though the management system is not so developed and complex inside the SMEs as in the large organizations, we consider that the last five phases should be applied for implementation of reengineering inside a SME.

4. CONCLUSIONS

The shape of the twenty-first-century company is becoming clear. It will be organized around process rather than functions. Managers will coach and design rather than supervise and control. Employees will be process performers rather than task workers, with broad understanding of their process and their company. The company itself will be a dynamic, flexible organization filled with entrepreneurial zeal and focused sharply on customer needs. In SMEs every employee is important and people are treated as assets, not as expenses. Change will be expected not feared. Only such companies will be able to provide the extraordinary service, innovation, and low cost essential for success in the new global economy.

The importance of the Small and Medium Enterprise sector has increased presently as the predominant source of employment. In periods of economic recession, process reengineering is critical to business survival. The manager/owner of the SME will need to balance the degree against a willingness to take risks. In order to success-or even to survive- in today's global economy, SMEs must reform and reorganize themselves around their core processes.

Reengineering represents one of the main conditions to ensure economical and managerial success of the organization on a period of three to five years. It has become imperative that reengineering should be based on adequate methodologies, which will follow certain logic for management system components succession. Redesigning the methodological, the decisional, the informational, organization and the human resources subsystems are part of reengineering the management system.

Reengineering the managerial system creates an organizational climate where the hierarchies are reduced, the workers are better prepared, and the structures are more flexible.

The economical recession or a slower comeback intensifies the pressure on companies, to deal with the arising problems, and the fact that economical situation improvement lifts a weight from the companies back, doesn't mean that the processes have improved themselves. Also when the difficult periods appear the problems will surely reappear and the lateness will make the reengineering harder.

After managerial reengineering the new processes will have to be managed so that they will achieve the maximum of performance level.

The purpose of the paper was to present a methodology for managerial system reengineering in SMEs, and which will intensify on the next period. This article can become a starting base for future research which should focus on finding new elements regarding process reengineering in small and medium enterprises.

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