

ROMANIAN COMPANIES DILEMMAS - BUSINESS REENGINEERING OR KAIZEN

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ABSTRACT: *This paper presents an analysis of two American and Japanese management strategies, the reengineering and Kaizen strategies, which can be used successfully by the Romanian companies, too. Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed. Kaizen is a philosophy of life that addresses to the best who want to be more and better. It is a process of improvement that never ends and it results in many advantages. The Japanese leadership model has shown that progress in small steps, but fast, reliable and leads to long-term wins. Kaizen method, implemented in Romania, too, has brought to people satisfaction and more money in their pocket.*

KEY WORDS: *management; innovation; Kaizen; performance; steps; strategy; work; quality; company; reengineering.*

JEL CLASSIFICATION: *M10; M19.*

1. INTRODUCTION

The European economy, the global economy, are terms commonly encountered in the discussions with local managers, which shows that the Romanian firms are more and more connected to these economies and to the European and global business environments. Under these conditions, the competition increases, the Romanian companies must deal with other firms with higher labour efficiency and spectacular economic and financial performances and with accelerated changes in these business environments. Therefore, in order to survive in such a competition, but even more to become the best managers of Romanian companies, they should always seek effective strategies and management solutions.

A solution could be a radical change of business that is based on principles of reengineering (redesigning the business management or rethinking the processes of an

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enterprise). Another efficient solution could be to keep on improving the existing business processes of the company, which is based on principles of the Japanese management from the Kaizen philosophy. In order to identify which of these solutions or strategies is the most appropriate for a company or another, depending on their objectives and needs, I will highlight reengineering and Kaizen's most important characteristics.

2. THE CONTENTS OF REENGINEERING IN THE OPINION OF M.HAMMER AND J. CHAMPY

2.1. The concept of reengineering

The term of reengineering was launched by Michael Martin Hammer and James A. Champy, the authors of the bestseller "Reengineering the Corporation: A Manifesto for Business Revolution" - 1993, noting that if a company wants to obtain a significant increase of its performance, it must radically change its way of working.

The two specialists have promoted and developed the management strategies based on re-engineering in a radical approach, their principle was "do not automate, eliminate", therefore the note which they have drawn attention in the second edition of the paper in 1994, that "Many of those who use this word do not understand it. "

The basic idea from where this concept goes is that: to get success in business in a continuous changing world, it is necessary optimum organization of business activities so that it is oriented to external environmental requirements. The concept of the two Americans is that the reengineering or redesigning the business processes (Business Process Reengineering-BPR), does not seek to improve work with 10-20-30%. The desired result is a redesign of the business by 100%, with the meaning of optimizing and remodelling – with a radical change.

"Business Process Reengineering" means to take everything from the beginning, from the foundation, to change fundamentally, drastically and dramatically. For this, the business is reinventing itself from a blank sheet of paper that you put in front of you and begin to answer this questions: "Why exactly do we do what we are doing?" and "And why do we do it like this?".

In the organizations where the management is asking: "How do we do it sooner?", "How can we do it cheaper?" or "How can we do it better?" it gets to apply, in the end, only process improvements , a concept that belongs to the philosophy of Kaizen, but that does not belong to the reengineering.

In a few words, a situation of "business reengineering", in their view might look like this: Company X is the second in the world in steel industry. It closes the doors and does not dismiss the people. It sells all capital goods and retraines all staff. Buys other assets. After a year it reopens its doors and soon it's ranked the best in the world in offshore drilling.

Another pioneer of the concept of reengineering is Thomas H. Davenport who, through his paper "Process Innovation: Reengineering Work Through Information Technology", published in 1992 which represents a landmark in the history of Business Process Reengineering ,believes that improving the performance of an enterprise can

be divided into two categories of initiatives: improving the processes and innovating the processes. Other authors such as H. Johansson ("Business Process Reengineering – Breakpoint Strategies for Market Dominance, H. Johansson, JWS 1993) have proposed toning the BPR projects themselves, which may be of different types, depending on client's objectives and its ability to adapt to changes. Davenport's and other authors' approaches (eg, H. Johansson) does not contradict Hammer, but they complete his approach.

International practical experiences (subsequent to the occurrence of the mentioned authors' work) and the experience of the various consulting companies in the field have shown that it would be ideal to make drastic changes in processes. However, in practice, this vision is more difficult to come to life. The level of development of many companies, the existing constraints (such as organizational, financial, legal, etc.. types) are often making it impossible to organize a project of remodelling processes in a radical way.

Thus, one can say that reengineering is a management approach which seeks to obtain benefits and major improvements in financial performances through increased efficiency and effectiveness of the work processes (obtained through a fundamental/radical change) and increase the speed of response of the organization.

2.2. The reengineering definition and its attributes

The reengineering consists in "the fundamental rethinking and radical redesign of the work processes, to achieve dramatic improvements in modern performance criteria such as the cost, the quality, the service and the speed" (Hammer & Champy, 1993).

Also, the reengineering involves " innovating the work processes that include the consideration of some new work strategies, the actual projection work processes and implementing the change in all its complex dimensions of technological , human and organizational orders" (Davenport, 1993).

A general definition of reengineering is that it "requires a fundamental rethinking and radical redesign of the business processes to achieve spectacular improvements in the indicators, considered critical in assessing the performance today, such as cost, quality, the service and the speed" (Calin & Aldea, 2000). From this definition we can accentuate four key words that can be considered reengineering's attributes, specifically: The first attribute is "*fundamental*" - *fundamental thinking*; The second attribute in the definition is "*Radical*", which derives from the Latin word "*radix*", meaning root - radical changes; The third attribute is "*Spectacular*" - spectacular results; The fourth attribute used in the definition is "*Business processes*" or "*Work Processes*."

2.3. Context's application of business process reengineering

The key factor to apply BPR is a visionary management who wants to anticipate the market evolutions and to facilitate the company development. It would be ideal that the management of one company to provide the accelerated business

growth or the competition on the market on which is activating and to run an early BPR type project, so the company would be prepared for the following tests;

- The most important task for managers is to eliminate the activities that do not produce the added value and not to use technology to automate them;
- The inefficient activities within an organization should be eliminated and not accelerated through automation;
- The organizations need to rethink their work processes to maximize the value offered to the customers, at the same time minimizing the consumption of resources needed to provide the product or the service;
- The technology of information can be used as a catalyst to optimize the work processes, as it enables new methods of collaboration and working.

3. KAIZEN'S PHILOSOPHY CONTENTS

3.1. The Kaizen concept

KAI = change;

Zen = good, for better, or continuous improvement.

Kaizen is a Japanese concept which, essentially, means continuous improvement. It comes from Buddhism, where it means "renew your heart and make it all better." In martial arts, Kaizen means "to move forward with small and fast steps." The method has been gradually expanded in management, too.

Kaizen has become known as a new discipline of management in the last two decades of the last century. Though the Kaizen management developed in Japan between 1950-1980, the period has been officially recognized and registered as a trademark in the U.S. in 1986, when Professor Masaaki Imai of Japan published the book "Kaizen: The Key to Japan's Competitive Success", published by the McGraw-Hill publishing company, which was then translated into over 20 languages and published in over 30 countries.

Until then the kaizen term was just a common noun in Japanese, with the meaning of "always better". Professor Imai has given it the significance of managerial principle - Kaizen, continuous improvement management and he amounted an entire structure of concepts, techniques and management systems used by Japanese companies that had shown a remarkable competitiveness in occidental markets.

Currently, Kaizen is studied outside Japan, too, in major institutes in the U.S., Canada, Western Europe, considered a middle path between two traditional styles of management: quality management, oriented towards achieving compliance with established standards and redesigning business-oriented management, based on major changes in processes or the structure of the organization. Kaizen is a philosophy of life that addresses to the best people who want to be even better. It is an improvement process that never ends and which generates multiple benefits.

3.2. Kaizen's definition and attributes

Zen Koan (Japanese philosopher) wrote: *"If you do not understand anything, nothing changes"*. Based on this principle it's actuating to learn Japanese quality, considering that *"Enthusiasm is not enough - you need knowledge"* - "Knowledge is not enough - you need profound knowledge. From the Japanese empiricism we quote Confucius, a revered ancient Chinese sage who said: *"To know without to act doesn't mean true knowledge"*.

Based on these lessons, and on the Professor Imai's considerations, by Kaizen we mean -continuous improvement process for small increases that makes the process more efficient, effective, under control and adaptive. Improvements are usually performed without expensive equipment or a sophisticated technique. Improvement is made with mind, not with money. The concept is based on simplifying the complex process by dividing into smaller processes and then by improving. By applying the methods based on the philosophy of Kaizen, losses from the process are eliminated by significantly improve it, by using systematic observation and statistical data, continuously changing tools and techniques that are being used. Exceptional financial results can be achieved if these principles are associated with the working personnel, which by opening become more aware and disciplined.

From all mentioned above we may identify some keywords that can be attributes of the Kaizen philosophy: The first attribute is *"Simplification"* or *"Split"*; The second attribute is *"continuous improvement"*; The third attribute is *"small increases"* with small but safe steps; The fourth attribute is *"process"*- business process or work processes.

In a Kaizen improvement project participate all those involved: workers, foremen, engineers and the manager. It doesn't matter the hierarchy, it matters the added value produced by the each person's intelligence and force of action to increase the strength of the group. The mentality specific to Kaizen philosophy is opposed to the model often practiced by people, according to the principle of minimum effort, "It works this way, too."

3.3 The context of applying the Kaizen strategy

- When applying The Kaizen management methods can not only participate a higher level managers, but also foremen, engineers or workers, whereby they can become more aware and more disciplined;
- The managers' task is to simplify complex work processes to simple processes and to identify activities which do not produce added value and also the ones that produce added value and to use technology to automate them;
- The organizations need to rethink their work processes to maximize the value offered to the customers, reducing or eliminating the losses by improving its process. Seven classes of loss are identified by overproduction: delay, transport, processing, inventory, wasted motion, repairs / rejections.

4. THE COMPARATIVE ANALYSIS OF KAIZEN AND REENGINEERING

Table 1. Comparative analysis of kaizen and reengineering

Characteristic	Reengineering	Kaizen
1. The term's origin	American	Japanese
2. The basic principle	Radical change of a process	Continuous improvement of an existing process
3. Keywords(basic concepts)	Basic thinking Radical change Spectacular results Business or industrial processes	Simplification of the thought and actions Continuous improvement Results with small steps Business or industrial processes
4. Goal	Performance, Efficiency, Effectiveness	Performance, Efficiency, Effectiveness
5. Participants	Consultants, top managers and / or project managers	All those involved: workers, foremen, engineers and the manager
6. Implementation period	It usually is the one of a project with a limited duration to execute it	It never ends, the processes can be continuously improved, repeatedly
7. Costs	Requires high costs, with new technologies and systems	Very low costs. One of the principles is that "improving is done with mind not with money"
8. Basic methods	BPR Business Process Reengineering (Redesign) Business Transformation (Transformation) Business Process Change Management Innovation; Creativity and Benchmarking	Methods of organizing the continuous flow process: Just-in-time JIT, KANBAN, HEIJUNKA, Bucket Brigades, Taguchi method Methods of reducing the time of manufacturing change: the SMED method (Single Minute Exchange of Die), Total Productive Maintenance (MPT) Specific methods for processes control: 6 Sigma, SPC Methods of analysis and processes improvement: VSM method(the value stream map) Methods of organizing the workplace: 3S and 5S methods or the suggestions system Methods of excellence for continuous improvement of processes: Kaizen Method, Deming (PDCA cycle) Juran, EFQM of excellence methods, Baldrige method of excellence
9. Benefits	Spectacular results	There are generally low costs
10. Limits	High costs Teams of specialists	Results in time (or with small steps) Perseverance, harshness and daily efforts

5. EXEMPLIFICATION

If theoretically it can be made a clear separation of the two concepts, the concept of engineering and the concept of Kaizen, regarding: the definition, basic features, the context and the methods and techniques of application, things are more complicated in practice.

I don't have sufficient information so I can claim that there are Romanian companies that have applied by the book only processes of reengineering or contrarily only Kaizen strategies. But there are known many cases where in the Romanian companies have been applied both reengineering principles and strategies and methods that are based on the Kaizen philosophy.

For example, the company S.C. Automobile Dacia SA, known as the Dacia Factori in Pitesti (Member of the Renault Group - The Renault Group has a stake of 50.96%) has applied since 2002 several continuous improvement techniques, such as the JIT technique (Just-In - time) and 5S especially in the body-assembly departments. This thing led in 2003 to launch the new model of the factory named Solenza, an improved version of the Supernova model (which was taken out of production in 2003). But a radical change in manufacturing process of the manufacturing process was launching Dacia Logan with Renault Group's massive investment and the launch of this model on the market in 2004.

This radical change was perceived by the customers too, and it has followed the success of this model on the market by the large number of sales both in the country and abroad (France and Germany). Since then the factory vigorously implemented in other continuous improvement methods such as SMED method (Single Minute Exchange of Die), Maintenance of Total Production, methods of excellence and continuous improvement of processes and of quality management, the Poka-Yoke technique and others. Thus, it followed other new variants of Logan, such as Dacia Logan MCV (2006), Dacia Logan Van (2007), Logan Pick-Up (2007), Dacia Sandero (2008) and its variants, Dacia Logan facelift (2008) and its Diesel version, Dacia Duster (2010).

The reengineering processes consisted in fundamental rethinking of the car models produced, radical image change both of the company and the cars produced, in massive investments, but also spectacular results in the recent years. The Kaizen methods and techniques can be characterized by functionality, efficiency, effectiveness, flexibility and not least through simplicity. The combination and collaboration of the two strategies, reengineering and continuous improvement has led to some positive economic and financial effects highlighted by: increasing the number of cars produced and marketed; increasing the market share, both internally and externally; reducing the costs; reducing the time of production and fulfilment of orders from customers; improving the quality, reliability and maintenance of the vehicles, etc.

Such examples can continue with other companies, especially those who have foreign capital, such as Romstal, Arctic, Murfatlar Romania, Tarom, etc.

6. CONCLUSIONS

Business Process Reengineering (BPR) is beginning to be a concept with a higher and higher incidence among the Romanian companies. It's true, not too often in small companies, and not even in the medium or large companies, which reduces the area of use. But there are arguments that a real demand for BPR begins to take shape in Romania, too.

The Japanese management model has shown that progress in small steps, but fast, leads to reliable long-term victories. The Japanese prefer to obtain performance progressing with "small steps". Many companies in the country have adopted the Kaizen philosophy of management. These include companies operating in the automotive, banking domains or providing services in design, architecture and marketing, and public services in the county state or national agencies. This interest could be explained by the fact that although the Kaizen management type requires daily efforts to improve the production of all the company employees, progresses are seen over time and persist for a long time.

The reasons why the interest in the concept of Business Process Reengineering or the Kaizen is growing in Romania, besides other countries, are numerous and intertwined. On the one hand, there is already a critical mass of companies with an appropriate volume of business, combined with significant experience in the local market and / or regional, which have reached a threshold of maturity and which for the remodelling and continuous improving the business processes is a real need.

So there are many reasons for the need of the Romanian companies to seek the complex processes of the re-engineering or to implement methods of the Kaizen management type to record an upward trend.

It remains to be seen if the need is actually understood and acknowledged. Then who are the potential customers and what their requirements are. And last but not least, what is the most suitable strategy for the company. Also, the practice has shown that companies can successfully apply both the principles of U.S. management based on the processes of reengineering and the principles of the management that is based on Japanese Kaizen.

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