

THEORETICAL FOUNDATIONS OF BUSINESS MANAGEMENT REDESIGN PROCESSES

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ABSTRACT: *This paper presents the most relevant internal and international theoretical knowledge in the field of business management redesign. It highlights the contributions of the most well-known specialists in business process redesign - both from early works such as Business Process Reengineering and from more recent studies that combine radical redesign processes with moderate change. The aim of this paper is to gain a better understanding of the conceptual boundaries of the terms used in business management redesign, the necessity of applying these processes in current businesses, and the key factors influencing their successful implementation.*

KEY WORDS: *business, excellence, processes, change management, redesign, performance, reengineering, innovation, information technology, environment.*

JEL CLASSIFICATION: *M10, M16, M21.*

1. INTRODUCTION

The business environment has always been in constant change. This transformation has been driven by knowledge, discoveries, and innovation. We are not referring to the pre-19th century periods when innovations that marked people's lives and society numbered in the thousands (for example: paper, optical lenses, gunpowder, the printing press in 1430 which allowed access to information and knowledge, the steam engine, and many others), but only to the last two centuries - the 19th and 20th. These two centuries were marked by an accelerated pace of discoveries and innovations in engineering and technology, metallurgy, electricity, the automotive industry, medicine, chemistry, agriculture, and communications, as well as in industrial manufacturing processes (Ghicajanu, 2018, p.53).

The innovations with the most powerful impact on industrial and implicitly business development were (1, 2013): electricity, railway companies (1820), industrial

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steel manufacturing (1850), oil drilling (1859) and refining, sewage systems, the telephone (1876), telegraph, photography, the airplane (1903), the internal combustion engine, the assembly line (conveyor belt - Henry Ford), genetics (1930), the combine harvester, the rocket, nuclear fission, television, semiconductor-based electronic equipment which led to the emergence of the Internet (1960) and other forms of mass communication, the personal computer, and mobile telephony (Ghicajanu, 2018, p.54).

The last three decades (the end of the 20th century and the beginning of the 21st century) have been marked by the development of information technology, automation, robotics, IT applications, digitalization, artificial intelligence, management methods and techniques, and the global business environment. Therefore, when addressing the concept of business, we must consider these multiple transformations from recent years and somehow anticipate those of the future.

Company managers must periodically ask themselves questions such as: "What is our business and what will it be like in the future?", "Why are we doing this business?" By asking these questions, managers are compelled to identify which activities generate those goods and services that customers need or will need, and which businesses are most suitable - both for the company and for the end user: the customer.

To answer these questions as effectively as possible - and not only that, but also to take action accordingly - certain transformation processes at the firm level are required. These processes involve actions to redesign the business at organizational, decision-making, informational, technological, operational, and managerial levels (Ghicajanu, 2020, p.6). What follows is a series of approaches to business redesign processes.

2. METHODOLOGY OF THE RESEARCH

The research methodology is based on the study and analysis of specialized works in the field of business management redesign, belonging to well-known authors such as: Michael Hammer, James Champy, Thomas Davenport, J. Short, Henry J. Johansson, Bergeron and Falardeau, M. Klein, M. Zairi, D. Sinclair, Y. Malhotra, and M. Al-Mashari. From Romania, the views of authors such as I. Verboncu, O. Nicolescu, I. Popa, and C.S. Stan are highlighted.

3. THE MEANINGS ATTRIBUTED TO THE BUSINESS MANAGEMENT REDESIGN PROCESS

In the specialized literature, most definitions related to this concept of business management redesign are encompassed under the terms Reengineering or Business Process Reengineering (BPR). The most important definitions attributed to BPR are presented below.

A first definition of redesign given by Michael Martin Hammer states that "to redesign a company means to eliminate old systems and start from scratch." For this process, there are no formulas - only techniques and tools that companies can use and adapt to "reinvent their own way of working" (Hammer, 1990, p.104).

Additionally, Hammer and Champy believed that business redesign represents “the radical reconstruction of the business process in order to improve productivity and performance.” By radical reconstruction, they referred to an entirely different way of executing the processes and procedures involved in a business (Hammer & Champy, 1996, p.56).

Thomas H. Davenport and James Short, along with the previously mentioned authors, are considered founders of this concept. They believed that business redesign represents “the critical analysis and design of workflows and processes within and between organizations” (Davenport & Short, 1990, pp. 11-12).

Building on these definitions, Canadian specialists F. Bergeron and J. Falardeau developed the concept of redesign through the lens of information technologies. According to them, “business process redesign involves the radical transformation of organizational processes through the use of information technologies, with the goal of achieving significant improvements in terms of quality and productivity.” Redesign is therefore an organizational reconceptualization endeavour based on information technology (Ghicajanu, 2018, p. 58).

In another approach, business process redesign is understood as “the enhancement of business or activity processes” (Harrington, 1991; et al., 1997).

Al-Mashari and Zairi (2000) suggest that business process redesign involves changes in people (behaviour and culture), processes, and technologies, while Huseim B. (2013) considers that business process redesign involves identifying a better, more efficient, and more effective way of management - especially through changes at the psychological and emotional level of human resources (Ghicajanu, 2018, p. 60).

In Romanian literature, I. Popa, in the book *General Management*, defines redesign in terms of flexibility and the ability of the management system to adapt to change. According to him, redesign “ensures both flexibility of the management system and enhances its ability to receive, support, and apply the new, generated by change” (Popa, 2005, p. 153). Stan C. also defines redesign in terms of reengineering, as “the redesign of business processes as a whole, which involves redesigning how people work, resulting in new organizational structures that enable optimal execution of new processes” (Stan, 2007, p. 15). Ion Verboncu considers managerial redesign to be “the most complex and effective way of organizational change and consists of the fundamental reconstruction of management and operational processes, and implicitly, of the management system” (Nicolescu & Verboncu, 2010, p. 3).

Given the above, we can define the general significance of the business management redesign process as: “the study of methods for reinventing and reorganizing the leadership process of a business, based on principles of efficiency, profitability, innovation, creativity, and achieving business excellence in the current business environment” (Ghicajanu, 2018, p. 58).

To better understand what this business management redesign process entails, we must consider what it takes to run and maintain a business in a constantly changing environment. A business involves, first and foremost, a series of elements that are in direct and interdependent relation: the manager, the people under their authority, the actions and activities they perform, and the resources used (capital, material resources, equipment, technology, information, and new technologies in the field). Human

resources, together with technology, information, and money, are key elements in the business management redesign process. Even though new trends in some businesses have led to the replacement of human resources with robots, AI-managed digital platforms, and fully automated business processes, there must still be people behind them to supervise, verify, and control these machines.

Additionally, a business operates within a specific environment, which can be analysed in terms of local, regional, national, continental, or global levels, depending on the size and type of business. There are both direct and indirect links between the business itself and its environment - interdependent relationships that significantly complicate the business management redesign process. Moreover, the external environment is currently expanding in terms of its influence over businesses. To better illustrate this, here is a simple example of major external influence on a local business in Romania: for instance, local online clothing stores - regardless of how much they have improved in terms of quality, marketing, customer relations, or commercial services - cannot keep up with large external retailers like Temu or Shein. This often results in the bankruptcy of smaller, local businesses.

2. BUSINESS PRE-REDESIGN IN TERMS OF REENGINEERING

In the process of business management redesign, terms, methods, and strategies are used from both American management - associated with the concept of reengineering - and Japanese management - associated with the Kaizen philosophy of continuous improvement. In this section, I will present the essence of the concept of business redesign in terms of reengineering, as it was developed by the most well-known experts in the field from the 1990s: Michael Hammer, James Champy, Thomas Davenport, J. Short, Henry J. Johansson, as well as more recent contributors (after 2010) such as M. Klein, M. Zairi, D. Sinclair, Y. Malhotra, and M. Al-Mashari.

2.1. Business Redesign in the Radical Approach

The term *reengineering* was introduced into business management literature in the early 1990s by Michael Hammer in the article "*Re-engineering Work: Don't Automate, Obliterate*" (1990). He later developed the concept with James A. Champy in the book "*Reengineering the Corporation: A Manifesto for Business Revolution*" (1993).

Before these two specialists, concerns related to organizational change processes and value chain analysis had been raised by Porter in 1985. Michael Porter analysed the factors involved in creating final value within an organization as a chain of activities (a logical sequence of actions), starting with: inbound logistics (inputs - supply and supplier relations), production activities and processes (transforming inputs into goods, finished products, and services), outbound logistics (outputs - sales and customer relations), and other activities related to marketing and servicing the core operations (Porter, 1985, pp. 11-15).

Hammer and Champy believed that if a company wanted to achieve a significant increase in performance, it needed to make radical changes in the way it operated. The two experts promoted and developed management strategies based on reengineering in

a radical approach, adhering to the principle: “don’t automate, obliterate” - meaning that if certain processes were no longer efficient, merely implementing new technologies or improvements wouldn’t yield spectacular results. Instead, everything had to change - a fresh start (Ghicajanu, 2020).

The core idea behind this thinking is that to achieve full business success in a constantly changing world, optimal organization of a company’s activities is required - focused on the external environment’s demands, especially those of the clients. They supported this idea in the last decade of the 20th century, as many companies were still focused on internal problems such as production, production capacities, and productivity, forgetting an essential aspect: “What does the client want, how does he want it, and when does he want it?”, “What are his preferences?”, and especially “What is the competition doing, how, and when?”

Moreover, they argued that the way American companies had been organized and managed for over 200 years, based on classical economic principles of Adam Smith, was outdated and no longer valid in a changing business environment. They stated: “The time has come for these principles to be abandoned and for a new framework to be adopted” (Hammer & Champy, 1996, p.25).

In this regard, business redesign through reengineering does not seek to improve performance by a few percentages, but instead calls for a complete overhaul - from the ground up. The business is reinvented starting with a blank sheet of paper placed in front of you as you begin to answer the questions: “Why do we do what we do?” and “Why do we do it the way we do it?”

In organizations where management asks, “How can we do it faster?”, “How can we do it cheaper?”, or “How can we do it better?”, the result is usually only process improvements - a concept belonging to the Kaizen philosophy - but not true reengineering.

Hammer and Champy defined business process redesign as: “the fundamental rethinking and radical redesign of work processes to achieve dramatic improvements in critical, contemporary performance measures such as cost, quality, service, and speed” (Hammer & Champy, 1996, p.27). They argued that achieving business success and spectacular results requires more than access to financial, human, and material resources - it requires orienting companies toward the external business environment, the influencing factors in that environment, and especially toward customers. The decisive factors for overall organizational performance are: innovation, cost, speed, services, and quality.

These aspects are detailed in their seminal book, through examples of how reengineering was implemented at major U.S. companies, such as Hallmark, Taco Bell, Capital Holding, Bell Atlantic, Ford Motor Company, IBM Credit, Kodak, Wal-Mart, and P&G.

At that time, in the early 1990s, the way of thinking and implementing a business redesign process in terms of radical change and enterprise reinvention was considered innovative. Since then, the concept of business reengineering has been increasingly used, analyzed, and implemented in various forms, with the development of complex and varied methodologies, techniques, and procedures.

However, in practice, this vision is difficult to achieve and not accessible to every company - especially small businesses where investments in such projects are harder to recover. Additionally, many companies' development levels and constraints (organizational, financial, legal, etc.) often make it impossible to organize and execute a radical process redesign project.

Therefore, in this paper, I will also present the alternative approach to business redesign in terms of moderate change and continuous improvement of business processes.

2.2. Business Redesign in the Moderate Approach

Also, during that period, another author of the reengineering concept was Thomas H. Davenport, who, together with J. Short, published a paper in *Management Review*, as well as the book "*Process Innovation: Reengineering Work Through Information Technology*" (1993). Davenport and Short treated business redesign from a different perspective. Their work became a reference in defining and studying the redesign of work processes, closely related to information technology.

They defined reengineering as: "work process innovation that involves considering new work strategies, through which the actual activities of design and implementation of change are carried out at the technological, human, and organizational level." They believed that simply having a strategy was not enough to improve business performance - it was essential to efficiently design business processes. This design must primarily be based on: business innovation, human resource management, and the application of information technology (<https://sloanreview.mit.edu/>).

At that time, information technology was still an underutilized resource, which, in Davenport's view, was the foundation for innovating and improving business processes.

Davenport did not share the same radical view as Hammer and Champy regarding how a business redesign process should be implemented. He believed that performance and success in business could be achieved through changes that involved process innovation and improvement - leveraging the many benefits offered by information technology.

These improvements and changes allow for the retention of good elements and aspects of the business, which Hammer and Champy's approach did not permit. They held a "all or nothing" philosophy, advocating "designing the business from scratch - a new beginning," ignoring the experience gained and what could be retained and improved.

Business process redesign was also approached by other authors, including Johansson, in his reference work "*Business Process Reengineering - Breakpoint Strategies for Market Dominance*" (1993), where he addressed the concept in a manner similar to Davenport. Johansson believed that different types of such projects could be designed and implemented depending on the company's objectives and its readiness for change.

In order to obtain immediate results, dominate the market, and become a global leader, a company must go beyond continuous improvement strategies and Total Quality

Management (TQM) principles, and implement business process redesign projects. In his opinion, these projects should be based on: new technologies and innovation; adaptation of organizational structures to changes brought about by technical and technological acquisitions; and the implementation of excellence at all key points in the organization.

Johansson illustrates these ideas through the experience of leading companies such as AT&T, Asea Brown Boveri, Allied-Signal, and Coca-Cola & Schweppes (Johansson et al., 1993).

Figure 1 summarizes the main characteristics and ideas of the business redesign concept in both radical and moderate approaches.

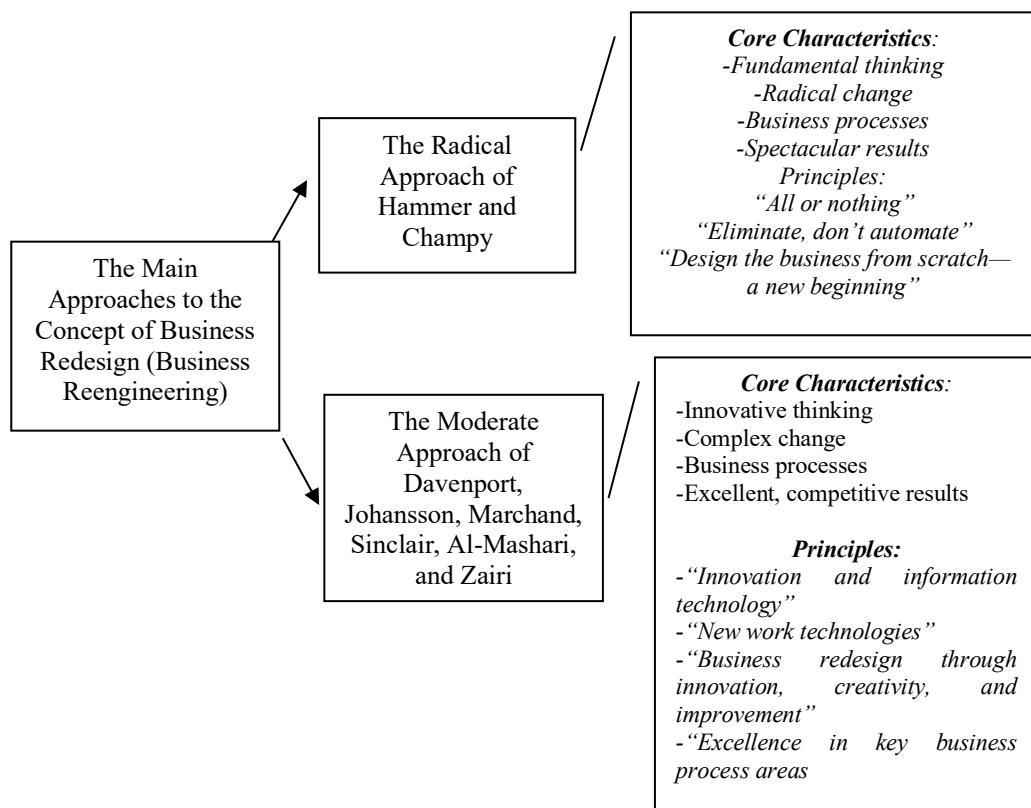


Figure 1. Approaches to the business process reengineering concept

After these pioneers in approaching organizational and business process redesign, other specialists followed who further developed the principles, methods, and techniques underlying these processes, such as: M. Klein, M. Klempa, A. Marchand, M. Stanford, R. Kohli, E. Hoadley, D. Sinclair, M. Zairi, Y. Malhotra, and M. Al-Mashari.

In Romania, the study of organizational redesign, change management, and business management redesign has been carried out by specialists such as: I. Verboncu, O. Nicolescu, I. Popa, C.S. Stan, D. Pitic, M. Băloiu, I. Pârgaru, L. Marian, and others.

Other important contributions to the study of business process and organizational redesign are summarized in Table 1.

Table 1. Other Contributions to the Study of Business Process Redesign

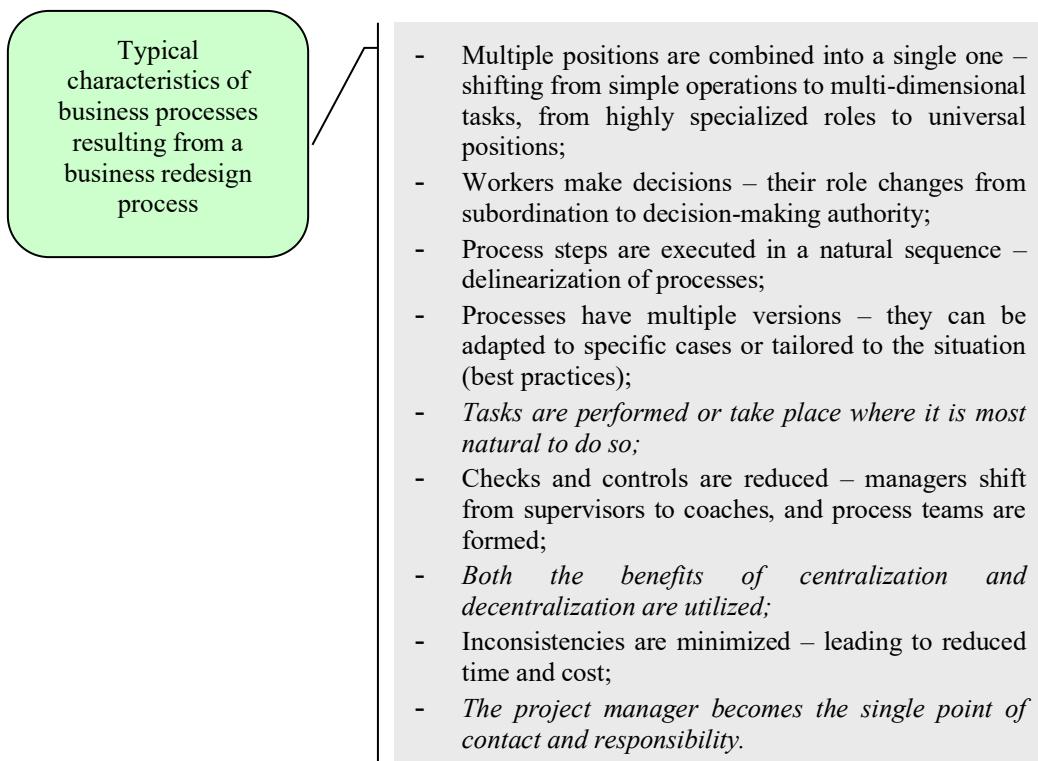
Author	Research Themes and Objectives
1. Klein M. (1994)	- The methodology and tools necessary for the successful implementation of redesign processes within organizations.
2. Klempa M. (1995)	- The implications of redesign processes at the mental and social level among employees and managers (how such a process is perceived and understood, how it should be accepted and better known). - The implications of organizational culture in change processes. - Resistance to cybernetic and automated changes. - The implications of both formal and informal organizational structures, as well as information technology, in change and redesign processes.
3. Sinclair D., Zairi M. (1995)	- An integrative vision based on the principles of Total Quality Management (TQM) concerning business process redesign.
4. Doherty și Horsted (1996)	- The implications of implementing redesign processes within organizations and businesses on human resources.
5. ProSci (1997)	- Identifying best practices in applying redesign processes (through the creation of strategic alliances, building strong and change-driven teams, adopting and adapting models implemented by other organizations, identifying the best methodologies, key elements of change, and critical change areas, and managing change effectively overall).
6. Al-Mashari M., Zairi M. (2000)	- A global approach to the practice of developing business redesign processes. - Identifying redesign processes that were not completed and the causes that led to their failure. - A study of the limitations of BPR (Business Process Reengineering) processes.
7. Huseim (2013)	B. - A systemic, integrative approach to business redesign processes. - Identifying the weaknesses and limitations of a BPR-type model based on previous studies in order to design a more efficient model that eliminates theoretical shortcomings (especially in terms of change management and its implications on human resources).
8. Verboncu I. (2010)	- Redesigning, in particular, how businesses are managed and how processes are executed.

Source: adapted according to Al-Mashari, 2001, p.440

2.3. Business Processes in Redesign

Business processes represent the central element of a redesign process. The way they have been redefined and approached has brought changes to work procedures and the assumption of responsibility. Business processes must be understood as a logical set of interconnected tasks aimed at achieving a well-defined outcome.

The business processes resulting from the application of reengineering can take various forms and cannot be described in a universally applicable manner for all fields of activity. However, they can be characterized by several typical elements, such as those summarized in Figure 2.



Source: Ghicajanu, 2018, p.66

Figure 2. Typical Characteristics of Business Processes Resulting from Business Redesign

Hammer defined business processes as “a collection of activities that take one or more kinds of input and create an output that is of value to the customer” (Hammer & Champy, 1996, p. 60). Davenport and Short understood business processes as “a set of logically related tasks performed to achieve a defined business outcome” (Davenport & Short, 1990). Additionally, Davenport stated that business processes consist of “an ordering of work activities with a beginning and an end, and clearly defined inputs and outputs” (Davenport et al., 1993).

To better understand the redesigned business process according to the principles of business reengineering, the changes made, and the advantages gained, Table 2 presents a comparison between traditional business processes (as conceived and operated according to the classical economic principles of Adam Smith, F. Taylor, etc.) and business processes following a redesign program.

Business processes subject to redesign must be approached in a completely different manner than traditional processes, where managers were focused on tasks,

operations, activities, structures, and people - but not on the process itself. When redesigning a business process, it is essential to clearly define what constitutes the "input" of the process and equally clearly what constitutes the "output" of the process. This process can span multiple organizational structures (departments, sections, offices) and may involve multiple activities or even functions. As a result, within these structures, radical, moderate, or incremental changes can occur.

Table 2. Comparative Analysis Between Traditional Business Processes and Business Processes in Business Redesign

Traditional Business Processes	Business Processes After Redesign
<p><i>Keywords: fragmentation, division, specialization, individualism, high probability of errors.</i></p> <ul style="list-style-type: none"> - Fragmentation of activities based on the division of labor principle. - Separate operations, job positions, and highly specialized structures. - Multiple people participate in a process, each specialized in simple operations and/or a single service within the process (professional division). - The business process does not have a designated supervisor; each employee is responsible for their individual task. - Actions are performed separately and in isolation on the same product or service. - This leads to a high likelihood of multiple errors - although each operation or action may be performed well individually, an error can still occur at a certain level or step, and no one will know where it happened or who is responsible. - Delays occur in completing the process, leading to higher costs and customer dissatisfaction (in relation to indicators such as cost, quality, service, and speed). - Innovation, initiative, creativity, and decision-making at the employee level are hindered. - Bureaucracy tends to proliferate when the business expands. - Inflexibility and limited adaptability. 	<p><i>Keywords: integration, simplification, unification, teamwork, involvement, responsibility, innovation, creativity, error reduction, high performance.</i></p> <ul style="list-style-type: none"> - Combining and unifying multiple positions (tasks, operations, or activities) into a single role. - Integrated processes with work teams and a case manager responsible for parts or the entire process. - Reduction in personnel - often down to a single person (case worker) who handles all tasks and is responsible for the entire business process, usually assisted by technology or AI (today). - A single person may be responsible for the process/program, or in some cases, multiple individuals may be responsible for different parts of the process within work teams. - Reduction in processing time, resulting in lower administrative costs. - Elimination of errors, delays, rework, and inconsistencies. - Less control and supervision - checks and inspections are reduced - Increased decision-making power granted to employees. - Self-monitoring and in-action verification (driving control) during task execution - The case manager assumes responsibility directly in front of the client. - Innovation and creativity are encouraged in finding new solutions for reducing costs and process execution time - Advantages of both centralized and decentralized organization are leveraged, depending on the situation.

Source: Ghicajanu, 2018, p.71-72

3. EXTERNAL INFLUENCE FACTORS

The external environmental factors that influence a business and lead to its transformation processes are most commonly known to be: **customers** and **competition**. However, today we observe that **macroenvironmental factors** are having an increasingly significant and rapid impact on the businesses of large companies (see **Table 3**).

Table 3. Factors with the Greatest Level of Influence on a Business

Globalization (social, cultural, economic, and political dimensions)	Knowledge Development - A Knowledge and Innovation Society	The Accelerated Pace of Technical and Technological Progress
<ul style="list-style-type: none"> - Market competition is intensifying; - Different cultures and economies around the world are integrating; - The quantity and quality of transactions are increasing; - Events are becoming interconnected; - The interdependence of world economies is intensifying; - Political influences are growing stronger. 	<ul style="list-style-type: none"> - An explosion of information across all business environments; - Adapting to the requirements of employee education, training, and professional development; - Management increasingly covering broader areas with information and knowledge, along with a continuous need for learning. 	<ul style="list-style-type: none"> - Shortened product life cycle on the market; - Technological changes through the introduction of robots, IT, and AI in many business processes; - Innovative manufacturing processes; - Machines and equipment equipped with advanced, digital, and AI-driven software, increasingly prevalent across many fields of activity; - The physical space of businesses being replaced by virtual space.

4. CONCLUSIONS

In summary, the conclusions of this material are as follows:

- The approaches launched and later developed in the field of enterprise and business redesign originated in American management and were subsequently adopted by specialists from other countries around the world. Initially, both theoretical and practical approaches were conceived in terms of radical change - reengineering;
- It was later found that this radical change was difficult to implement and required significant investment, leading many companies to opt for moderate change, even continuous improvement processes;
- A clear distinction has emerged between radical and moderate redesign approaches, with the latter becoming increasingly accepted and embraced by both theorists and practitioners, including many business managers;
- Business processes today are designed, organized, and managed according to principles of performance, efficiency, and value creation for the customer, with clearly defined inputs and outputs;
- Factors from both the macro and micro environments of an enterprise drive the need for change, especially if the company aims to remain present and competitive in the market in terms of price, quality, speed, service, and customer satisfaction;

- There is a strong correlation between a company's position in the market and its ability to engage in redesign and business transformation projects.

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