

## Innovation and reengineering – ways of restructuring the company –

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**Abstract:** *The hereby article aims to describe how innovation and reengineering helps the restructuring of an organization. As I showed already in this paperwork the notion of innovation indicates the adaptation of the structure of an organization to the new. The accommodation to the new led in time and had a major impact in the progress and evolution of society.*

*The innovation consists in the discovery of methods and strategies that could lead the organizations towards the alignment with the needs of modern society. The root of innovation are the discoveries these two notions being interrelated. The Dex defines the inventions as being “a solution or technical realization from an area of knowledge who represents something new and progress regarding the stages known before” and to innovate translates as “to face a challenge, to bring something new in an area of expertise or in a system”.*

*Reengineering on the other hand stands for a management strategy business related who started somewhere in the 90s. Reengineering is used for the reinvention or the innovation of the orientation of an enterprise or the mechanics of the business process towards more productive ways. Both methods (innovation and reengineering) try to optimize the management of the enterprises leading to changes in the process of development of an organization.*

**Key words:** managerial innovation, reengineering.

The managerial innovation has as a main purpose bringing the new forward. It aims not only to adapt to the new ways of the world market but also to those of the informational level, technological and planning of the ways to overpass the obstacles along the way. At the root of this technique it's not the material thing but the way of human thinking and the way that a situation can be re-designed to find a solution where problems appear.

Innovation doesn't necessarily mean the invention and discovery of new things but also finding methods to use the old things already known in a more efficient way that brings changes for a positive growth of the production of an enterprise.

Every aspect about this type of management is in an interdependence relation between all his elements of which the number is growing day by day. Not only the process, the way of thinking or the measures taken against the problems but also that to which this may lead or that can help in the future for the improvement of the process are all elements very important of this approach. Let's imagine for example where it all starts and finishes: the manufacturing process, the machineries involved, the people who handle it, the brain behind this operation, the people who will benefit from the end result and where the finite product will arrive; everything is interconnected and everything needs to be upgraded at the same time and in the same rhythm to save time and to avoid a failure in achieving the ultimate goal.

At all times the base of innovation is the management. This is what will lead to all the changes that will take place as a result of the application of the new ways of development and production of an enterprise. All this

changes are done in a systematic and repeated way; they are always in line with the latest trends and the latest discoveries in a field.

It's not enough only finding new solutions but they also need to be developed and especially applied to have the expected success. All this needs the creation of the environment needed for the development framework. The preparations and support for innovation are essential for the success in the nearby future but also for the long way and what's more important it's the foundation for the next steps.

Key elements like: the permanent communication with clients, the leadership, the participation of the personnel hired, the permanent communications with the parties involved, the handling of the information and the desire to improve are essential for achieving excellency.

Innovation must not be regarded as a process that takes place only in a division. It must develop uniformly and parallel on all levels. Like this we get to the idea of entrepreneurship. The entrepreneur is "a person who is willing and able to convert a new idea or invention into a successful innovation" (Schumpeter, 1934), having a key role in the managerial process. At the same time with entrepreneurship it developed also the idea of "corporate entrepreneurship" known also a "intra-entrepreneurship" which means "individuals or groups of individuals exploring high-risk and high-risk ideas within a stable and favorable environment of a powerful company" (Giffort & Elizabeth Pinchot, 1987). Within it it's encouraged the individual creativity characteristic of organisations opened to change. Some of the most famous are Google and Intel.

What is problematic it's the developing of the innovation strategy this being a rather

complex process which starts generally from: setting the innovation goals, identifying the focus area regarding the efforts for research and innovation and developing new ways of improvement of every area of innovation. For this we have techniques like SWOT analysis and Innovation Roadmap, which can be handy tools for the realization of strategies that will eventually lead to success.

The general strategy of an enterprise is the one that will contour its future regarding innovation and the way it's applied. Everything is based on finding ways of financing them that can be risk funds, national or European funds, loans or even money from its own production.

The main stages of the innovation plan are:

- The process of research, development and innovation, the flow of activities which means the total amount of activities that will lead to the main purpose; it has a three steps way: conception, development and implementation.

- The technology transfer which means shifting the discoveries and research from the academic area to the production field for obtaining new products and services

- The protection of the intellectual property which refers to the results obtained in the research and development that are used as intellectual property exploited in an organization's own interest

- The revaluation of the results from innovation which means putting on the market the outcome from the research and development area

Probably the most important subject in this type of managerial approach is the human factor and the human capital. It must be discovered the employee with the best

potential and desire to innovate and invest in him for the purpose of developing his creativity and innovative desire and to help promote entrepreneurship; it must be rewarded as to keep him inside the company and using his maximum potential for a long-time effect.

The organizations that have an initiative oriented towards innovation are those who think differently and develop a culture of innovation. They always adjust the programs and projects of development to the latest trends of the market in order to preserve their authenticity and they are those behind which you can find a strong leadership. One of the newest methods used is reengineering of the business processes which is going to be explained in the following lines.

Reengineering means letting go to the old methods of approaching the problems and finding new solutions starting from zero. This translates not to bringing small upgrades but to finding new ways to have a productive activity. It aims to profound transformations regarding costs, quality of services and the added value.

This method was founded by Hammer and Champy in 1993 for the adjustment of reality to the permanent changes of the world market meant to raise competitiveness.

Because of the fierce competition of the local business market but also because of the world market one enterprises are obliged to get in line with the new standards and to find new innovating solutions. Often reinvention is based on the drastic rethinking of business models. Like Richard Pascale used to say "Reinventing does not mean to change what it is, but to create what it is not".

The first step is usually the alignment of the whole activity to a strategy which encompasses the general objectives, the purpose and the mission of the enterprise.

Starting from the motives on which the organization functions, what lead to its birth and the way it functions we will get to the analysis of its premises and rules. This way we can see if they still stand, if they are erroneous and if they can still follow the same direction.

Reengineering meaning radical changes will start from premises and foundation zero, establishing what an organization should do and how to achieve it. The analysis of the situation it's not going to be built on what is old, but acts by removing all the procedures and existing structures. Actually we have here the reinvention of the enterprise by radicalism which will eventually lead to spectacular results and not to small improvements in different activity areas.

An important word that stands at the foundation of reengineering is the process. Generally speaking businessmen don't take into account precisely the way in which the activities take something at the moment of entering and what comes out in the end with a certain value for the client. For them the main thing are the activities, people and structures not giving the proper attention exactly to the manufacturing process.

Supporting the above affirmations is the following example of IBM Credit that has as an area of expertise the financing of computer, software and services selling provided by the IBM Corporation. By rethinking the whole process of giving loans, which meant the subsumption of the seven activities carried out by seven specialists to only one made by a generalist IBM Credit reduced the average speed of the loan requests from 56 hours to only 4 (so a reduction with almost 93%), making this change without raising the number of employees and obtaining

a raise of productivity multiplied with one hundred. Instead if they had tried to upgrade each and every activity of the process they would have obtained only a 9% reduction of the processing time and a raise in productivity of only 15%.

The enterprises that turn to reengineering are usually divided into three:

- o Those who want to function to full capacity but have an aggressive management and they want a positive evolution and to stay at a top level

- o Those who have a positive evolution but feel that in the nearby future is going to be an impasse and possible difficulties and are trying to prevent this

- o Those who are already in trouble and they have no other solution than radical change to eradicate problems

Because they are functioning based on the obsolete rules of the Adam Smith theory that said that industrial activity can be reduced to simple and fundamental operations organizations often get in the situation where reinvention is needed. This reinvention must be total and its foundation must be letting go to old ideas and ways of thinking as to align to the new requests.

The new reality doesn't allow anymore the using of old and inefficient ways but constrain to making bold moves like "everything or nothing" for the achieving of spectacular results. There are 3 major forces that push to this direction: change, competition and most important clients.

Because of the permanent change of the world market, competitiveness and the offers available have a continuous growth with an accelerated pace. At any time new services and products can be introduced that will lead

to innovation and which will also lead to a relatively short life to the present products.

Competition is the one that binds businesses to change and permanent evolution for the sake of keeping a top place on the market. If before the most accessible product and the better price was sold the most now things have changed. The market division in several areas with a basis of different competition (quality, price, assortment) led to the selling of the same product in different areas enhancing the difficulty of selling similar products.

The most important in this trio are the clients. It was observed a shift in the manufacturer-client relation meaning that, if before manufacturers were the one in charge at his moment client are those who decide what they want, how and when. This shifting was the one that brought major difficulties to the big businessmen on the market that were used to the mass production. Because of this factors at this moment a new business environment is being created in which stability, growth and mass production is being replaced with flexibility and fast answers to the client requests.

Enterprises are trying to minimize their losses and are trying to adapt by making simple changes like: replacing an area of activity with another one, merging with a stronger enterprise, changing the market, selling/buying of a division, without actually taking into account that a radical change is necessary. Failure actually relies on the mentality of the ones in charge with leading a company. They don't realize that people are the ones that create, provide and offer services, taking into account only the investments founds.

What we must understand is that change is obligatory and this starting from

the upper levels to the inferior ones. The current procedures don't even allow the acceptance of a suggestion from the inferior level maybe very productive for the company because of all the steps that they need to overpass and also because of the mentality that needs to be conquered until the idea is presented and finally accepted.

At this moment the organizations are functioning like a series of separated squares which subordinate and at the same time subordinates to others everyone with another specialty and unique role, interdependent but yet don't function like a continuous and unique process for the materialization of objectives.

This hierarchic structures were made in a time when there was a certain stability and predictability in the moves of the world and local market and when they weren't in a fast and continuous rhythm of growth and change that isn't valid anymore. They act like a bump on the road to innovation and solutions because they function like a protection system against change that leads to taking useless risks.

As we can see reengineering is not only necessary is mandatory for the enterprises that want to adapt and continue to evolve on the market at the current moment. The old ways of thinking, organization and leadership regarding production and service offering not only are they out of date but must be eradicated.

As a conclusion the managerial innovation and reengineering are two of the most important factors to take into account in the development of the organizations nowadays and their alignment to the present moment on the world market. They mean not only radical changes of thinking but also how old

methods are applied. Their complexity and the way of incorporating the technological process, the results from the research and development are, the development of the human factor and above all radically changing

the angle of approach of a problems, all of this is what makes them into a recipe for a successful recipe for integrating and preserving a top spot in the global economy.

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