

Philosophies for Managing Organizational Change – Comparative Analysis

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Abstract: The publication outlines three philosophies for managing organizational change, i.e. improvement, redesign and reengineering. They are interdisciplinary in nature and affect many aspects of organizational change. A comparative analysis is used to study the specific aspects of their methodologies. This will facilitate managers to take decisions referring approaches, methods and techniques of implementing the different types of organizational change.

Keywords: business processes, organizational change, management.

JEL: M1; M21

I. INTRODUCTION

Organizational change is a continuous process of implementing new technologies and systems. As a result of them, companies aim at a higher level of competitiveness. The market processes laws established new understanding of organizational change nature. Today companies consider these laws as natural as their operations and attempts for improvement occur under conditions of economic globalization.

II. THESIS

Improvement of business processes refers to a change that does not go beyond the framework of accepted standards for increasing their effectiveness. It involves the improvement of administrative and production processes, their mapping and optimization. Continuous improvement can be done on the basis of the “bottom – up” principle [15,16]. With it change is not necessarily initiated by high-levels management. The incremental improvement of processes is applied when the deviations from the traditional norms for conducting business have to be determined. The risk of damaging the hierarchical balance or structure of the company is small. The social component is not affected as well, i.e. the professional status of employees or the reduction of working positions. The effect is focused on the gradual change of the number and structure of processes in the studies system [15,16].

The improvement of business processes does not require any specific efforts for their optimization. It also does not lead to resistance on behalf of the working team. It stimulates the social activity of people by uniting them in a team. The improvement of a process starts with identifying the reasons for its occurrence. Then steps for its subsequent improvement are undertaken. Clients are the main priority. The objective is to develop products and services which would satisfy customers’ requirements for quality and value. The improvement of business processes is aimed at acquiring better results as a consequence of their optimization. The incremental improvement requires the *preferred use of the inductive approach over the deductive one*.

The redesign of business processes is realized through a project for increasing their effectiveness. The result is focused on their corporate renovation. This involves the adaptation of business processes renovation programs such as rationalizations, modernizations, reconstructions, transformations, etc. [5,6]. The programs which do not add value to the finished product or service are abandoned. The redesign renovates business processes in two directions – it does not involve any big risks and is characterized by relatively low (to intermediate) effectiveness indexes of business processes change. In *redesigning the existing processes are renovated by being integrated in an overall process*. However, they are *not changed radically*. The sequential steps of the work done are structured within the framework of the particular project. An emphasis is placed on team work. The objectives *are determined according to the planned renewal and the specific tasks to be carried out*. The renovation of business processes leads to minimal improvements and a certain (from insignificant to medium level) change in the information technologies and the management structure of the company. The existing processes are transformed but not changed dramatically.

The concept of business processes reengineering is an advanced management philosophy. The existing organization processes are entirely eliminated and are replaced by newly designed ones. Some researchers advocate the thesis of the literally “destroying” processes and functions [3, 4, 12, 13], while others appeal for liberalization of this activity [2,5,10]. Reengineering leads to more significant effects compared to improvement and/or redesign. It involves “breaking the old habits” in the management of business processes. The activity implies considerable risks, corporate problems and employees’ opposition. Nevertheless, the integration of reengineering in the business activities of companies is a sound guarantee for

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increasing its effectiveness. The objective is to develop an appropriate foundation for determining priorities, cutting costs and optimizing resource usage.

The improvement and redesign of business processes are traditional and evolutionary in nature. The effect of their implementation is not significant. They are risk – free or medium-level-risk business philosophies [9,10]. Nowadays, however, the economic trends require flexible methods for process management and quick reaction to changes.

Another group of researchers [6,11,14] point out that these philosophies are oriented to achieving temporary results (indexes) from business activities. This limits the directions that are in the basis of the radical (single) change of business processes.

Reengineering encompasses various instruments for business management [21,22]. Unlike improvement and redesign, it is a *process philosophy with radical orientation*. It implies greater risk, courage and aggressiveness. It also dramatically *increases the indexes* of process optimization.

Improvement, redesign and reengineering are applied differently when business processes are to be optimized. What differentiates them from one another is the fact that the aim of reengineering is *single but radical change*.

The concept of processes redesign is also very often used. In this case there is an aspect that should not be overlooked. Some authors consider reengineering and processes redesign as identical concepts. Some of them [17, 20] *view them as synonymous* while others [18,19] state that there is a *difference that affects the concepts but not the terms used for defining them*.

The specific word “*radical*” is often used to characterize reengineering [1,12,13]. Redesign of processes is a term which means reorganization or renovation of processes. It does not affect their origin or their radical change. Redesigning is positioned between improvement and reengineering but does not share the ideology of neither of the two concepts.

Another group of authors [5,7,8] use the term *radical design or radical innovation of processes* and advocate the idea of improving processes after reengineering has been applied. The concept of redesign, however, provokes misunderstandings. The thesis of its *limited use in the radical change of processes* is defended. *The appropriate word is reengineering or the so called redeveloping*.

Reengineering requires more time and resources compared to incremental improvement or redesign of processes. There is a radical approach and a new methodology for processes optimization [1]. Improvement and redesign *affect processes without changing them fundamentally*.

The comparison of improvement, redesign and reengineering can be presented visually in many different ways. One of the possibilities is shown using Table 1.

TABLE I

CHARACTERISTICS	IMPROVEMENT	REDESIGN	REENGINEERING
<i>Relation to business processes</i>	Traditional character	Evolutionary character	Revolutionary character
<i>Reaction towards the implemented innovations</i>	Quick	Medium	Slow
<i>Conceptual orientation</i>	Processes are changed according to customers' needs	Processes are changed according to the organization's problems	The critical processes are changed - according to customers' needs and the organization's problems
<i>Type of change</i>	Insignificant – from the design to the selling of products	Medium – temporary replacement of inefficient processes	Radical – overall (fundamental) change of the corporate culture and processes
<i>Human factor</i>	Autonomous teams (in the functional divisions)	Creating multifunctional teams (according to the set goals)	Multifunctional teams and external consultants
<i>Role types</i>	Related to the processes and the functions	Related to the processes (according to divisions)	Related to processes
<i>Type of the information – communicative processes</i>	On different levels mainly “bottom – up”	“Top – down” and “bottom – up” with less involvement from executive management	“Top – down” and “bottom – up” with the heavy involvement of executive management and staff
<i>Use of Information technologies</i>	Not necessary	Not necessary	Advisable
<i>Efforts</i>	Minimal	Considerable	Enormous
<i>Effectiveness</i>	Low	Medium	High

After reengineering has been applied, the quality of production should be maintained at high levels. In this case *improvement and redesign do not contradict* the concept [15,16]. Redesign requires a project approach for renovation, while improvement (for example TQM or KAIZEN) is used for measuring and improving already redevelop (through reengineering) processes. Improvement, redesign and reengineering have a lot in common and aim at this, namely the clients and processes. Every person who contributes to the organization's work has to understand the importance of the undertaken measures and is personally and collectively liable for their realization.

The incremental improvement of processes or their renewal (unlike reengineering) requires the use of different approaches for increasing quality and reducing

costs. This activity needs a longer period of time so that a particular level of effectiveness (usually minimal one) is achieved. In addition, it is necessary to create additional units/departments in the organization which complicates the work of the already existing ones and leads to the establishment of new connections among them.

The improvement or renewal of business processes after the application of reengineering eliminates the negative tendency of high costs and low effectiveness. Customer complaints due to defective products or failed orders are also reduced. Reengineering *is not effective unless there are systems for improvement or renewal of processes*, i.e. their adaptation to the high customer requirements under conditions of constant globalization of markets.

III. CONCLUSION

For the majority of modern managers changes are an inevitable method for improvement of their organizations. Executives have to be able to identify the symptoms of the problem and determine the type of change. This change depends on various philosophies which determine its effect. An appropriate is the philosophy which corresponds to the organization's goals, strategy and resources.

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