

**Anna Sieńska**

Wrocław University of Economics

## **REENGINEERING AS A TOOL TO INTRODUCE CHANGES IN THE STRUCTURE OF A COMPANY**

Reengineering is a concept of management based on processes approach, in contrast to the traditional functional approach. The concept proposes a new, horizontal approach to organization, as seen through various processes going on in its various departments. A radical redesigning of the processes taking place in an organization allows to improve the strategic ones, that determine a long-term company policy, as well as those that create added value, i.e. respond to customer needs. Customer oriented policy is crucial when facing strong competition on the market. The time of political transformation in Poland introduced a free-market economy. Still, many companies have held to their old policies of management and their mechanisms do not follow today's world trends. The recent economical crisis has forced many Polish companies to change their attitude to customer and to concentrate on improving the quality of customer service.

Such was the situation of a company trading with medical supplies. After the political transformation it grew quickly, dynamically increasing its income and profits. However, over the last two years it has experienced a regress. The analyses made showed that:

- decreased sales are due not only to the shrinking market of medical supplies but also to the customers turning to other companies,
- the loss of customers is due to low quality of service, not meeting customer requirements,
- the customers that leave are usually those in good financial situation, paying on term or with small delays only.

Taking into consideration all the facts given above, the company management decided to start immediate restructuring that would reduce costs and improve customer service. After analyzing various methods of implementing organizational changes, reengineering was chosen as the best way of restructuring.

The first and the most urgent stage of reorganization was to change those processes of customer service that directly influence the level of customer satisfaction. The aim of changes was to:

- minimize the number of people customer has to deal with to buy needed goods,
- minimize the time customer must spend making purchases,
- shorten the time of preparing tenders and improve their quality,
- improve the efficiency of service in the storage area,
- improve the efficiency of deliveries,
- increase the amount of important data stored in the computers.

The customers can buy the desired products either coming in person or placing orders by phone. If coming personally, customers were obliged to visit all the Sales Departments (there were nine of them, situated in various places of a three-storey building), according to the types of products they were planning to buy. If placing orders by phone, they had to phone each of those departments separately, again according to their choice of products. In both cases each Sales Department issued a separate invoice. Customers, who desired to collect the purchased products personally, visited all the store rooms of respective Sales Departments that had issued the invoices, where they had to wait for the articles searched for in the store rooms only after the customer presented the received invoices (see Fig. 1).

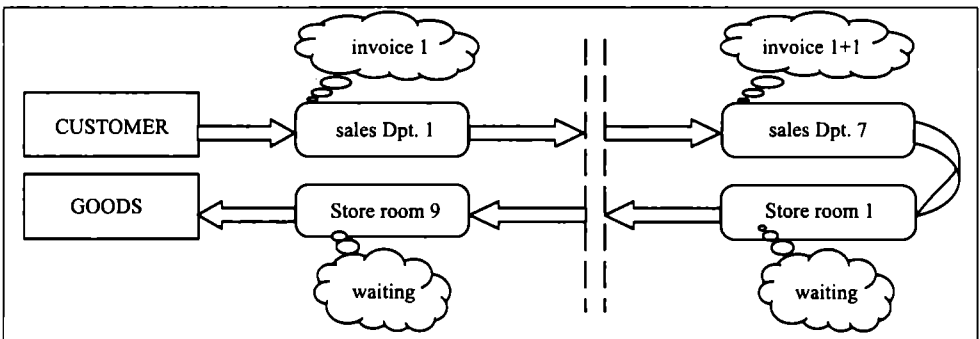


Fig. 1. Purchasing of goods by a customer before introduced changes

Source: own study.

In case of an order with delivery to customer, a clerk responsible for issuing invoices brought them periodically to the storage area. The staff of the storage area prepared the ordered products and brought them to the Forwarding Department where they waited to be delivered. As each department issued their own invoices, that were brought to their respective storage areas, it often happened that products ordered on one occasion by one customer were delivered in stages on different days.

Delivery was carried out periodically on chosen routes with frequency set by the manager of the Forwarding Department according to his/her personal experience. The products were brought to the Forwarding Department according to the order in which

respective invoices had been issued, without taking into consideration the expected time of their transport. As the result, not only a very large storage area was needed but also the goods stored were marked in the computer system as dispatched. In fact, the computer system did not include the Transportation Department, and the records of deliveries, goods and documents issued were made manually in separate notebooks.

As meeting the requirements of customer was set as the main aim of the implemented changes, the organization and logistics were redesigned first. The organization of the work space was changed, which allowed for the Sales Department, Forwarding and Transportation Departments to be placed on the first floor. The other departments were moved to higher floors. All the Trade Departments were joined into one large Sales Department (with seven subsections), all the storage areas – in one larger storage area, and the Forwarding and Transportation Departments were put under the same manager. Although the storage area was divided into sections because of the placement of the store rooms, all the sections have the same manager and provide services to the Sales Department as a whole, not for its selected sections.

After the introduced changes, the customer comes to the Sales Room, where he can make all his purchases in one place and gets one invoice. Telephone orders are received by special clerks on duty in the sections of Sales Department. Changes implemented in the software allow the sales clerks from all sections to sell all the articles. After the invoice is issued, it is divided by the computer system according to the storage sections and electronically sent to the storage area, where the „WZ” documents are automatically printed. The invoices may be additionally marked as „to be collected immediately” or „to be delivered to the customer”. Thanks to that special marking, the staff of the storage area knows which goods need to be prepared immediately for the customers waiting in the Sales Department. When the packages are ready, the respective sections send them to the Forwarding Department, where they can be collected by the customer (see Fig. 2).

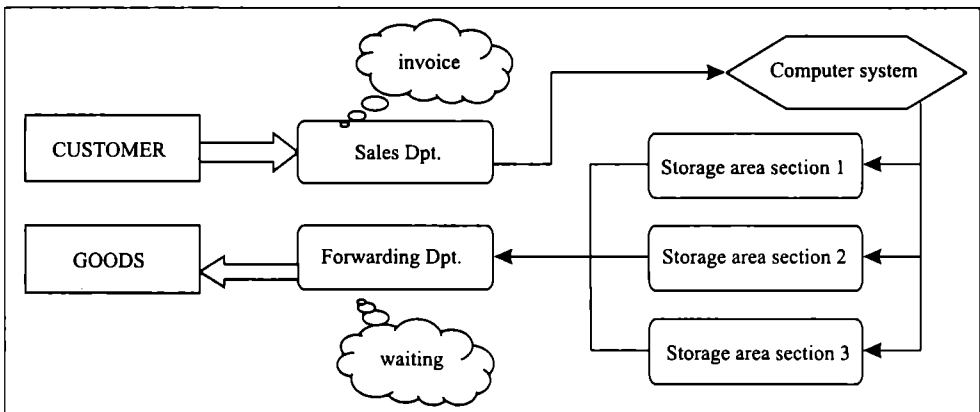


Fig. 2. Purchasing goods by a customer after introduced changes

Source: own study.

Also the process of delivery to the customer has been improved. An additional module was introduced to the computer system to service the Forwarding and Transportation Departments. Each customer is allotted a delivery route according to its location. A system in the Transportation Department calculates the invoices with a marking of „delivery to customer”. On the basis of data coming up to 2 hours before the closing hour of the Sales Department, the deliveries for next days are planned and the schedule of the routes is updated in the computer system. On the basis of that schedule the staff of the storage area prepares goods to be sent along specific routes at specific times, that allows for a smooth circulation of goods in the Forwarding Department. The staff of the Forwarding Department, using the computer system, prepares lists of invoices and packages for the deliverers. Signed copies of these confirm that the goods were delivered to the customer. The computer system records which goods and invoices were collected by which deliverer. Also copies signed by customers that confirm delivery are recorded in the system. It allows for immediate and complete tracking of the parcels, and also for controlling and awarding bonuses to the deliverers.

All the reorganization described above brought, in a very short time and at comparatively low costs, many benefits, of which the most important might be:

- increased customer's satisfaction (by 25%) due to faster and better service,
- reduced employment (by 15%) and higher work efficiency due to eliminating standstills owed to overly strict task divisions,
- reduced costs (by 15%),
- increase (by 30%) the amount of important data stored in the coputer systems.

The example of company discussed here proves that reengineering might be a useful tool in crisis situations, where the scope of changes required is large and the time to implement them is scarce. Especially Polish companies that did not implement changes early enough may use it as a shock therapy which, if carried out properly and not too late, might restore balance to a company.

## References

- [1] Durlik I., *Reengineering i technologia informatyczna w restrukturyzacji procesów gospodarczych*, WNT: Fundacja Książka Naukowo-Techniczna, Warszawa 2002.
- [2] Hammer M., *Reinżynieria i jej następstwa*, Wydawnictwo Naukowe PWN, Warszawa 1999.
- [3] Manganelli R.L., Klein M.M., *Reengineering*, Wydawnictwo PWE, Warszawa 1998.
- [4] Muller R., Rupper P., *Process Reengineering*, Wydawnictwo Astrum, Wrocław 2000.

## **REENGINEERING JAKO NARZĘDZIE ZMIAN W STRUKTURZE PRZEDSIĘBIORSTWA**

### **Streszczenie**

Artykuł przedstawia przykład zastosowania reengineeringu w przedsiębiorstwie handlowym jako metody restrukturyzacji. Opisano proces sprzedaży, magazynowania i transportu przed zmianami oraz po nich. Ukazano korzyści, jakie uzyskano, stosując przeorganizowanie procesów.