REENGINEERING – REVOLUTION IN THE MANAGEMENT OF COOPERATIVE BANKS

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Abstract:
In this article, the authors intends to underline the major problem for cooperative banks is that they entered the 21st century with entities devised in the 19th century to function in the 20th.

The strict regimenting of power relations within the framework of the hierarchical management of cooperative banks, the formalism of the constituting act’s structure, as well as the assignment of responsibilities to each employee based on official documents render the organisational structure of cooperative banks obsolete, bureaucratic and utterly devoid of capacity for innovation.

The intensification of competition, the demanding nature of customers, as well as the acceleration of the above-mentioned trends make it necessary to devise new organisation patterns, and the place of classic, bureaucratic structures is being taken by flexible structures.

Key words: Cooperative banks, cooperative banks, profitability, reengineering, flexible structures

JEL Classification: P 41

1. INTRODUCTION

Over the last decades, the reorganization of industry and economy has been an overwhelming focus; it was determined by a change in objectives.

The history of economic organizations shows that adopting organizational structures that appropriately deal with the peculiarities of each specific entity is the key ingredient for success.

The organizational structures of cooperative banks, like those of other economic organization, consist mainly of one essential element, namely the management system. The organization’s leadership determines to a significant extent the
functionality of the organization, the manner in which it uses its resources, the level of the expenses and the efficiency of activity.

The organizational structures of cooperative banks do not follow a specific blueprint; their build-up involves taking into consideration a number of factor which must be coalesced into a unitary system, which must match the goal and general objectives of the cooperative banks organization.

Based on my own observations as a practicing manager, I would say that an average of one comprehensive reorganization every few years would be a modest assessment of the current rate of institutional change. Within cooperative banks, there have been two reorganizations over the past 10 years, and a third imminent, given the establishment of free market competition and economic crisis. This was due to changes in legislation, objectives and the perceived insufficient efficiency of each structure.

The major problem for cooperative banks is that they entered the 21st century with entities devised in the 19th century to function in the 20th.

### 2. MODERN TENDENCIES IN COOPERATIVE BANKS – FLEXIBLE STRUCTURES

The flexible organization is a new concept which has been defined over the last few decades. Each new age gives birth to structures adapted to its pace.

The term flexibility comes from the Latin flexibilis and basically means sleek, capable of undergoing transformations.

The flexibility of cooperative banks organizations is given by the degree of variety within its current and potential procedures and the swiftness with which it can implement them in order to increase the adaptability of the organization.

The lifespan of compartments, the structuring criteria, as well as the essential role of interdisciplinary teams are among the elements that distinguish the flexible organization from the classical one.

An important advantage that derives from the new conception of activity separation is the reducing of the need for control and coordination by the management. Flexible structures are flattened, which is why they have also been attributed the name horizontal organizations.

The main principles of the flexible organization are as follows:

- Organizing activities around the process, not around responsibilities
- Flattening out the organization
- Using teams to administer cooperative banks
- Establishing customer satisfaction as the main measure to evaluate the performance of the cooperative banks
- Rewarding team achievements over the individual
- Establishing permanent contact between employees and customers
- Permanently informing and training all employees

These are some of the principles that cooperative banks have to apply in order to have a flexible organization which can fulfill the objectives of swift reaction and customer focus.

The management of cooperative banks must start with the perception that the desired outcomes are obtained more efficiently when the activities and the resources linked to these are regarded as processes.

The concept of process describes the ensemble of interdependent resources and activities which transform input into output. Schematically, the process model is shown in Figure 2.1.
Within cooperative banks, the optimal results for the customer are achieved through a network of processes, as one process output becomes the input for the next process. The process approach is among the principles of high performance management. It initially involves identifying the processes and creating adequate structures to favour:

- discovering the customers’ demand
- satisfying customers efficiently
- improving the processes.

The processes within cooperative banks can be displayed as follows:

Table 2.1. Typical processes in cooperative banks

<table>
<thead>
<tr>
<th>Operational processes</th>
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<tbody>
<tr>
<td>Developing new products</td>
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<tr>
<td>Identifying customer demand</td>
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<tr>
<td>Integrated logistics</td>
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<td>Satisfying the customers</td>
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<th>Management</th>
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<tr>
<td>Monitoring performance</td>
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<td>IT management</td>
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<td>Human resources management</td>
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<td>Planning and assigning resources</td>
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In today’s society, whereby the customer has been crowned king, fragmented processes and function-based structures are obsolete. Organization-wise, creating a process vision is done by promoting new structuring criteria, in accordance with the principles of flexible organization.

3. REENGINEERING - REVOLUTION IN THE MANAGEMENT OF COOPERATIVE BANKS

Reengineering as a concept is credited to Michael Hammer, who created a new theory regarding the manner of conducting business. Reengineering does not mean technical innovation, with new products and technologies; rather it puts forward a new business model. "To reengineer means to redraft, remodel, and for companies this means fundamentally rethinking and radically redrafting business processes in order to spectacularly improve indicators currently considered key in performance assessments, such as cost, quality and customer request processing speed.

The key element of the revolutionary changes generically termed company reengineering is creating a process-based vision. Within reengineering, processes are defined and new solutions for these are thought up (process innovation), changes that will impact on the technical, organizational and social aspects of business.

In terms of organization, process innovation is characterized by promoting the modern principles of flexible organization.

Technical changes are also important: reengineering involves using modern IT, which enable more complex work to be carried out, as all activities are integrated. IT is part of any reengineering effort, an essential catalyst which enables companies to transform their processes.

Redeveloping the processes is a team effort that requires creativity.
The stages of reengineering are put forward in the following figure:

Selecting the processes which will undergo innovation is the first stage of reengineering, and it is vital for the success of the overall effort, as it seeks to identify the processes which require priority attention.

The starting point is identifying the major processes carried out by the organization. When radical improvement is sought, processes must be defined more generally, in order to enable the integration of inter-compartmental links.

Process innovation requires the interfaces between functional activities to be improved or eliminated.

Selecting the processes subject to innovation is another important problem within the first stage of reengineering, since no company can change everything simultaneously. Establishing priorities is done through complex analyses based on multiple criteria, such as:
- Process performance
- Competition advantages
- Personnel capabilities
- Resources required
- Available funds etc.

Once a process is selected and a process leader and his team are designated, the next step is creating process vision, which entails an ensemble perspective on the process, its objectives and its characteristics.

4. CASE STUDY: REENGINEERING AT COOPERATIVE BANKS UNIREA BRAŞOV

UNIREA –Cooperative Banks Braşov is a medium-size cooperative bank organization which conducts and banking activities. It is based in Braşov and has 5 working points which cover a significant area in Braşov County. The number of employees is 26, and the incomes from banking exploits at 31 December 2011 are 6,604,218 lei.

The organizational structure is made up of two tiers, with the management team at the top and one or two case managers for each field of activity (credits, treasury, customer refunds, risks, audit, juridical, organizations, working points etc.).

It must be stressed that automating all processes facilitates the application of reengineering principles. An integrated computer network and database were introduced for planning and operative follow-up. It is important to note that both the development of the database and its update are not left to specialists, but are tasks distributed and fulfilled by case managers. The customized software employed, with the aid of specialists throughout branches nationwide, and it contributes to employee self-assessment and awareness.

Educating personnel is an important part of cooperative banks activity, bearing in mind that the successful implementation of such processes ultimately depends on people. Within the cooperative bank, most employees have university degrees and have been educated to cope with their extended responsibilities. All employees must be creative and capable of taking decisions.

In my opinion, the value system and behavior of the staff of the cooperative banks characterizes an organizational culture which is different from that found in most Romanian companies. This is the biggest achievement of the cooperative banks management: the board has created a responsible organization.
The board of Cooperative Bank UNIREA Brașov consists of a team made up of three people: the president, chief accountant. The board has multiple tasks:

- Coordinating all current activity
- Intervening in difficult circumstances
- Studying future policies,

But the main task of the management board is human resource management.

In this context, the following are important:

- Result-based remuneration
- Improving communication and control
- Believing all employees to be equally important.

Management only rarely intervenes in solving current issues, but we are permanently close to the people to motivate and help them develop. The organizational climate is favorable to participation and cooperation, and the employees help each other when in need.

The implications of reengineering on the performance and results of the cooperative banks are significant. The quality of services offered to customers and the close relationship developed with them, the correct communication and swift processing of requests are among the main characteristics of the new approach. Also worth mentioning are the central process-base activity and the IT integrated applications, which have led to increased productivity and reduced costs.

The involvement of the management board in the process of transformation is a condition for success, but management must accept new managerial patterns, which also involve behavioral changes. The leaders of the metamorphosis must be open towards the process of personal development and develop their attitudes and aptitudes to fit the new system, so that they become role models for the way in which the new behavioral values are expressed.

5. CONCLUSIONS

Knowing the real needs of the customers is very important for process redrafting, as the purpose of innovating a process is to create another that better satisfies customer demand. The instruments currently in use to obtain information about customer needs are questionnaires and interviews, but these show what customers want, not what they actually need. To be able to adequately assess the customer’s real problems, the innovation crew needs to employ direct observation and participate in customer activities.

On-the-spot presence can assist team members is understanding how customers use process outputs and how the process can better serve the customer.

Another useful instrument in process innovation in terms of determining objectives and attributes for the innovation effort is consulting good practices or benchmarking, which involves selecting reference processes regardless of the company’s field of activity.

The objectives of the transformation process include both the overall aim of the process and the numeric tasks for the desired innovation.

The attributes of the process are non-descriptive and non-quantitative; they describe the process, its operative principles and specific factors.

Attributes regard information, technology, people, and products etc., all of which are useful in creating process vision.

Establishing objectives and attributes for the process is the base for developing the new process. The development is a team effort and involves creative means (creativity methods, option analyses). Development is commonly done in stages, and it is an iterative process.

An important part in reengineering is played by testing for the adopted solution before implementation. If applied correctly, testing makes it possible to reduce potential implementing risks.

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