



NORTH-HOLLAND

# Critical Success Factors for Business Reengineering and Corporate Performance: The Case of Korean Corporations

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## ABSTRACT

This article briefly reviews the literature on business reengineering (BR), analyzes critical success factors (CSFs) for BR, develops a BR-CSFs model, empirically tests the model on Korean firms, and investigates the impact of BR on corporate performance in Korea. Many Korean firms are attempting to transform from Japanese- to American-style business management. As part of this process, BR has gained substantial critical mass as the first widely accepted American-born management methodology accepted in Korea. While Western-based BR methodologies provide general procedures and techniques the CSFs listed in this research focus on the key factors that Korean firms generally confront. In the present research, 20 CSFs, taken from a literature review were divided into four categories: strategic, organizational, methodological, and technological/educational. A survey was developed to assess the firm-specific importance and development of each of these CSFs. Survey responses from 162 Korean corporations indicate a positive association between the designated CSFs and corporate performance. Korean BR team leaders and CEOs/COOS rate "strategic" and "methodological" CSFs as most important while "organizational" and "technological/educational" CSFs are considered less important, a rank ordering challenged by the authors. © 1998 Elsevier Science Inc.

## Introduction

Korean firms are generally interested in applying business reengineering (BR) methodologies to make themselves more competitive [1–3]. The underpinning philosophy is that Korean firms need to employ totally different business systems in today's information society when compared to past industrial society. Also Korean managers tend to believe that their companies need more effective business systems to successfully respond to rapidly changing business environments, the increasing variety of customer needs, increasingly short product development cycles, and increasingly fierce global competition. Proactive Korean companies are utilizing BR to catalyze change from more traditional industrial business frameworks to more information-based business design [4, 5].

Business reengineering opens new dimensions to Korean firms in three main ways. First, it has been a common practice for Korean managers to consider Japanese method-

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ologies more suitable to the Korean business environment since culture and business ethics are considered more similar in these two Asian nations when compared to the U.S [3, 6, 7]. Second, BR is the first American-born management methodology that is being widely accepted in Korea. Third, Korean firms and consulting companies realize that traditional American-style BR is generally not effective in Korea. Accordingly they have altered American-based BR methodologies while adding a Korean “flavor” to better suit BR to Korean business conditions. “Korean-style BR” is a well known business term in Korea.

In the 1990s, Korean firms began to realize that efficient and effective innovation is a key survival strategy in the global marketplace. Process oriented BR is seen as necessary for business systems to be productive, responsive, adaptive, and timely [2, 3]. At the same time, early attempts at BR implementation have raised important questions of “how.” As a result, there has been steady growing demand, in Korea, for practical and specific BR implementation techniques and methodologies. The situation becomes more complex as each Korean corporation is seen to have its own unique business environment, culture, customer needs, constraints, and opportunities.

While there have been a great number of successful BR cases presented in conferences and books [1–10] few empirical and systematic studies have been reported regarding critical success factors (CSFs) for BR as well as the impact of BR on corporate performance. The present research suggests successful BR implementation can be enhanced by a focus on specific CSFs. This article (1) briefly summarizes BR literature, (2) analyzes and introduces CSFs based on this literature review as well as on interviews with key Korean industry informants, and (3) empirically tests the validity of these CSFs while examining the impact of BR on the performance of the surveyed Korean firms.

## Theoretical Background

### ANTECEDENTS TO BUSINESS REENGINEERING

Division of labor has been an important basis for organization design and business principles since Adam Smith first introduced the concept in *The Wealth of Nations* in 1776. While these tenets generally applied in Western industrial society for the last 200 years, this way of doing business is not as effective and efficient in today’s rapidly changing, global business environments. As Hammer and Champy ([5], page 17) state, “In today’s environment, nothing is constant or predictable—not market growth, customer demand, product life cycles, the rate of technological change, or the nature of competition. Adam Smith’s world and its way of doing business are yesterday’s paradigm.” In short, managers need ways to successfully organize for the future.

According to Hammer and Champy ([5], page 32), “Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed.” This definition highlights four key words: fundamental, radical, dramatic, and process.

A process orientation in BR is defined as a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer [4, 5]. Such a process orientation is fundamentally different from Adam Smith’s division of labor that seeks to break processes into simple and often repetitive tasks. BR sets to remove unnecessary, non value-added activities and come up with new ways of doing business to improve productivity and gain competitiveness [8, 9]. To accomplish competitive advantages, BR discards traditional functional orientations and adopts process

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