

BUSINESS PROCESS MANAGEMENT AND ITS IMPLEMENTATION IN SLOVAK ENTERPRISES

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Abstract

The paper deals with the area of Business Process Management (BPM). The first part summarizes the theoretical background of process management. Evolution, importance, implementation and benefits of BPM are discussed. The second part deals with research of current state of BPM implementation in Slovakia. The research was carried out on selected Slovak enterprises in year 2011. The research is focused on several aspects related to Business Process Management (BPM), such as examination of the reasons why managers decide to implement Business Process Management in their businesses, the level of process mapping in enterprises, as well as the detection of limitations of process management.

Introduction

Processes and Business Process Management (BPM) have recently become very frequent topic of many experts from the theoretical and practical fields. BPM can be classified as a new trend of management of the organization; but on the other hand it is not only perceived as a novelty, but as a necessity for organizations.

It is a natural consequence of management development due to competitiveness growth, rising demands of customer requirements, rising number of organizations offering comparable products, as well as the overall environment development that is dynamically changing and brings many new challenges, but also threats for the organizations.

Companies are forced to monitor the environment very carefully and respond to these changes and trends to withstand the demanding competition conditions.

Business Process Management may bring significant benefits to the organization. The main advantages are the consistent focus on the customer (both external and internal), the possibility of direct performance measurement and performance management and improvement of process efficiency. It helps to continuously improve, monitor and manage the ongoing processes in the

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organization and to analyze their attributes, because every detail can affect competitive advantage. How effective company produces products or provides services mainly depends on the effective management of its production, logistics, and other business processes. The implementation of BPM is a way to increase competitiveness, to the general acceleration of processes while eliminating activities that do not add value. Finally, the priority is customers' satisfaction and focus on their needs.

Evolution of Business Process Management

Early stages in evolution of management were characteristic with great simplicity and low-level changes. These stages of management could be named as an *intuitive management* based on the sharing of experience and knowledge of "generations". Later, the industrial revolution had significant influence on management. New approaches to production emerged as development of division of labor, production line and intensification of production caused the need for "an organized approach to management". As a respond the scientific and administrative management principles were created.² These classical principles of Taylor and Fayol were used for the long time and they are known as a „*functional approach to management*”. Later, also these principles started to show thier limitations and forced companies to search for new approaches. Among new approaches we can find “*process approach to management*” as a successful one.

The process principles were firstly outlined by M. Hammer in USA. His approach to management is known as re-engineering and it began to be applied progressively in the U.S. companies from the early 80's of 20th century. Later in the 90's it began to appear in the U.S. under the name of BPM - Business Process Management. U.S. companies previously established and managed on the classical Taylor and Fayol principles (functional approach) had slowly begun to realize the benefits of the BPM implementation.

When comparing these two approaches to management it should be noted that the basis of the functional approach is division of labor and specialization and more focus on functional departments and activities divided into these individual units. However, this functional arrangement and division ceases to be effective in accelerating competitive environment, it causes many problems - from slowing communication, duplication of unnecessary costs and activities to the overall organization inflexibility. Process approach, by contrast, focuses more on adjusting of weaknesses caused by functional approach and on process efficiency - especially faster decision-

² PAPULA, J, LAUKO, L.: Projektový manaľment ako evolučný predchodca procesného manaľmentu. In: Zborník vedeckej konferencie doktorandov, Trendy v manaľmente očami mladých vedeckých pracovníkov. Bratislava FM UK, 2009. S 102-107. ISBN 978-80-88870-84-5

making processes and communication. Transition to process approach can identify and eliminate many problems that were caused by functional approach.³

Regarding Germany or Western Europe there is BPM initially conceived more pragmatically, as a guide to improve the operational activities of the company.⁴ Gradually a trend can be noticed in these markets – BPM as a part of strategic management of the organization. It is not just about one or two more efficient processes, but understanding that processes streamline and change the functioning of the whole company.

When we look at Central and Eastern Europe, not excluding Slovakia, most companies that are slightly larger and have a majority of the owners from Western European countries or any partnerships with Western Europe have to automatically adapt to their management style to obtain competitive advantage. This is particularly typical for banks and financial institutions industry and energy companies and gradually the trend of BPM extends to the whole market.⁵

Nowadays in Slovakia there exist many firms offering consulting services in the area of BPM, many professionals who are interested in this subject and try to develop and refine approaches, standards and tools to effective modeling and managing processes in organizations.

BPM and its benefits

In the literature we can find a lot of definitions of Business Process Management. According to Smida⁶ BPM represents control schemes, methods and instruments for ensuring maximum performance and continuous improvement of inter-enterprise processes, based on clearly defined organizational strategy.

The objective of BPM is to develop and optimize the operation and functioning of the organization so that it can efficiently and effectively respond to customer requests. The purpose of proper process functioning is the determination of personal responsibility for the processes and for each activity and system of process performance measurement with the purpose of monitoring and evaluation of each process.⁷

When deciding why to implement business process management it is important to understand what are the main benefits of BPM. Benefits can be found in all areas of organization:

³ PAPULOVÁ, Z.: Process Approach and its Application in Strategic Performance Management. In: Comenius Management Review – Scientific Journal, Comenius University in Bratislava. Faculty of Management. Bratislava: KARTPRINT, 2008, s. 59 – 67. ISSN 1337-6721

⁴ ŠUPŠÁK, J.: *BPM - alfa a omega efektívnosti*. [on-line] 29.07.2006 [cit.16.10.2011] Dostupné z <<http://www.efocus.sk/archiv/kategoria/riadenie-procesov/clanok/bpm-alfa-a-omega-efektivnosti/>>

⁵ ŠUPŠÁK, J.: *BPM - alfa a omega efektívnosti*. Dostupné z <<http://www.efocus.sk/archiv/kategoria/riadenie-procesov/clanok/bpm-alfa-a-omega-efektivnosti/>>

⁶ ŠMÍDA, F.: *Zavádění a rozvoj procesního řízení ve firmě*. Praha: Grada Publishing, 2007. 293 s. ISBN 978-80-247-1679-4

⁷ GRASSEOVÁ, M. – DUBEC, R. – HORÁK, R.: *Procesní řízení ve veřejném sektoru: Teoretická východiska a praktické příklady*. 1. vyd. Brno: Computer Press, 2008. 266 s. ISBN 978-80-251-1987-7

reducing in exposure time of orders, orders increase without any errors, shortening the total purchasing time, reducing the time to develop new products and the reaction time to customer requests, clearly defined competencies of employees, simplifying and clarifying workflows, streamlining the organizational structure, outsourcing of support processes, orientation on key processes, effective use of modern methods and process management tools.

Of course there are much more benefits, but their importance, amount and character are influenced by the characteristics of each organization.

Implementation of BPM

The transition from functional to process management is considered as the most laborious manager's step. In addition to technical and organizational changes, changing attitudes and skills of human resources should be particularly taken into account. The principle of business process management system cannot be understood only in the arrangement of basic processes in the organizational and management structure, but primarily as a change in behavior of the action's and activities' owners.⁸

For the above mentioned reasons some barriers of the transition to process management are defined as:⁹

- unwillingness to adopt changes at all levels of management, disagreement to change,
- unpreparedness / unwillingness of employees to assume the competency and responsibilities,
- threat of degradation of employees' jobs, threat of losing power,
- too much operative problems, not too much time and willingness to support changes,
- lack of communication of reasons and the expected effects of transition to BPM,
- lack of commitment of senior management to process management,
- unclear, respectively incorrectly defined objectives of the process management transformation,
- lack of knowledge on methods and tools of process management,
- concerns of staff redundancies.

From these defined risks/barriers it is clear that their elimination is possible only under conditions of systematic communication of strategic plans with employees and their continuous professional development. It is important to convince employees that change is needed and why,

⁸ BOROVSÝ, J.: Manažment zmien – cesta k rastu konkurencieschopnosti. 1. vyd. Bratislava: Eurounion, 2005. 142 s. ISBN 80-88984-66-1

⁹ BOROVSÝ, J.: Manažment zmien – cesta k rastu konkurencieschopnosti. 1. vyd. Bratislava: Eurounion, 2005. 142 s. ISBN 80-88984-66-1

that the change will bring positive results for the organization and how and what behavior is expected from each employee.¹⁰

Implementing BPM not only requires a basic understanding of the risks and limitations, but also a deeper understanding of the possibilities of using different tools and approaches. Selection of procedural methods should be connected with the organization's requirements and conceptions, but also with the skills and abilities to use the tool. The research followed the application of these instruments and the extent to which managers use software support.

Apart from the implementation of process management there are other tools and methods that are related and linked to business process management:¹¹

- ABC (Activity Based Costing)
- ABM (Activity Based Management)
- BPM (BPI - Business Process Improvement)
- BSC (Balanced Scorecard)
- SCM (Supply Chain Management)
- Quality Management Systems (ISO, EFQM, Six Sigma, ..)
- CRM (Customer Relationship Management)
- and others...

On today's market you can choose among multiple software tools which can model, analyze and simulate processes. These tools usually use a graphical visualization and process description.

Some instruments are easy to manage, others offer comprehensive solutions. We could divide these into three groups:¹²

- Mapping Tools (Process Wizard, Visio, ...)
- Modeling Tools (ARIS Toolset, System Architect, ...)
- Modeling and Simulation Tools (ProVision, QPR Process Guide, ...)

As research showed, many are known and used in Slovak companies.

¹⁰ BOROVSKEÝ, J.: Manažment zmien – cesta k rastu konkurencieschopnosti. 1. vyd. Bratislava: Eurounion, 2005. 142 s. ISBN 80-88984-66-1

¹¹ PAPULOVÁ, Z.: *Process Approach and its Application in Strategic Performance Management*. In: Comenius Management Review – Scientific Journal, Comenius University in Bratislava. Faculty of Management. Bratislava: KARTPRINT, 2008. s. 59 – 67. ISSN 1337-6721

¹² OBORILOVÁ, A.– MEŠKO, M.: *Súčasné prístupy a nástroje procesného manažmentu a procesného modelovania* In *Súčasné trendy a smery v manažmente organizácií. Zborník z konferencie doktorandov*. KARTPRINT: Bratislava, 2010. 246 s. ISBN 978-80-88870-93-7

The level of BPM implementation in Slovak enterprises

As mentioned in the theoretical part, process management may be on the one hand very useful, but on the other hand, its implementation is not easy. Current status of Slovak companies on this issue was determined through research regarding the level of implementation of BPM, manager's attitudes to its benefits and the use of tools and methods of quality management.

Nature of the survey

A pilot survey was conducted in 2011 by questionnaire and by structured interviews in companies operating in Slovakia in various sectors in order to obtain an overview of manager's attitudes to BPM. Exactly 133 managers in top positions were questioned ranging from the micro to large enterprises.

Companies were divided into several sectors, the sector called "other industries" (51) was accounted the largest representation of companies, namely enterprises operating in the engineering, food processing, electronics and other industrial sectors. More significantly represented group was a group of "other services" (44), which included companies providing logistics and marketing services. The third group was the IT sector, followed by financial institutions.

Concerning the size of companies, a significant percentage consisted of medium-sized enterprises (46) and large enterprises (44), micro and small companies built a small interviewed group (8).

Questions were divided into two areas. The first area consisted of four questions to determine the current status of process management and its perspective on the importance perceived by managers in selected companies. Each question offered several types of responses. Second series of questions was designed with the intention of ascertaining the state use of systems of quality management or planning the implementation of these systems, among which were the ISO (9001, 14001, other), TQM, EFQM Excellence Model and the CAF. The same question was laid for the implementation and for implementation planning of the following methods: ABC - Activity Based Costing, BSC - Balanced Scorecard, BPI - Business Process Improvement, SCM - Supply Chain Management, CPM - Corporate Performance Management, Lean Manufacturing, Six Sigma.

Structure of questions

1. In what areas does the manager/company see the importance of BPM implementation?
2. How would you describe the level of BPM in your company?
3. How are the processes described/captured in your company?
4. Does the company use software to support BPM?

5. Does the company have implemented any of the quality management systems? Which one do you plan to implement?
6. Which of the following methods does the organization have already implemented? Which is / are (not) planning to be implemented?
7. From the perspective of process performance measurement indicate a favorable / unfavorable opinion:
 - a. Is there a defined performance indicator for every process?
 - b. Is there a defined periodicity of recording value of performance indicator?
 - c. Is there an IT support for measurement and evaluation of performance indicator?
 - d. Are there settled correction actions in case of overload (violation) of defined value of performance indicator?
 - e. Are there records of process costs in last period?
 - f. Is measurement of business process base for their improvements?

The survey results

The survey results were recorded individually and based on structured interviews, supplemented by observations of managers. Managers reported several issues, ideas and multiple answers to each individual question. As the greatest importance of the implementation of BPM respondents (50%) reported satisfaction improvement of external customers and reducing of overall costs by optimizing processes.

BPM implementation

When surveying the level of BPM we met a combination of guidelines and manuals of described processes in companies and also their measurement and evaluation. Over 14% of companies confirmed that they do not have process management implemented and they do not describe and measure processes at all. Within this category we include mainly micro and small enterprises. The use of process normalization models (ABC, BSC...) and the strategic realignment process management has been the domain of medium and large enterprises.

Level of BPM implementation

For those businesses which reported describing internal processes or measuring them we tried to capture the way of describing and mapping these processes. The most common response (67%) was describing and depicting processes with help of their own systems and standards - Word, Excel, Pohoda nadstandard, ... Others reported capturing processes by describing in the quality manual (ISO standards). Very few businesses (2-8%) are on the other hand using specialized

methods to map processes, such as IDEF (Intergrated Definition) - IDEF1X, IDEF14, IDEF12, BPMN (Business Process Modeling Notation) and EPC (Event-driven Process Chains).

BPM support

When asking managers if they use any software to support process management, 69% of managers reported negatively. Regarding the company size, micro and small enterprises indicated little or no use of software supporting BPM. Maximum use and benefit of such support was recorded in industry, financial and IT sector. In contrast, the less utilization was in counseling and tourism. The most frequently mentioned software tools were ARIS, ARIS Business Architect, QPR, Compass, Process Wizard, Nimbus, Arriba, SAP Wave and many others.

Management systems

In the second question area we focused on the use and status of implementation of quality management systems. ISO standards were the most frequent answer to this question; about 58% of these companies have ISO standards already implemented. 13% of companies plan to implement them. The in the questionnaire offered systems - ISO, TQM, EFQM Excellence Model and CAF - companies reported Total Quality Management as the second most popular, as well as in order to implement similar systems in the near future. The remaining number of respondents gave a negative response with regard to implementation of planning systems in the future. In terms of company size, which stated ISO standards as implemented, it was the domain of medium-sized and large enterprises. Quarter of respondents, mainly small businesses, recorded that they are planning to implement ISO standards. The absolute lack of interest in the implementation of specific methods was the one of the CAF model - a common system of quality assessment (Common Assessment Framework). In terms of industry and sectors, implemented ISO standards were prevailing in the area of IT and other industries and the planning implementation for the foreseeable future was dominated by consulting companies and tourism.

Methods of process improvement

The situation of the established methods of continuous process improvement (ABC, BSC, BPI, SCM ...) was answered in other set of questions directed to the implementation and the planning implementation of these methods. Up to 55% of companies stated that the methods are not implemented. BPI with 21%, ABC with 17%, BSC and SCM both 15% were the most commonly used methods. Six Sigma, Lean manufacturing and CPM ended up with less percentage. Interest in the implementation of Balanced Scorecard showed 8% of companies questioned. Again, as shown in the previous question, large companies accounted for the highest percentage in the use of these

methods and in their planned implementation. Financial institutions and trade led the chart on the use of ABC, BSC and BPI methods. IT and other industries dominated the SCM, CPM, Lean Manufacturing and Six Sigma.

The last question was about expressing the manager's views on process performance measurement. Most managers agreed and expressed the answers to individual questions in the affirmative way, what indicates the interest and putting the importance on the necessity of BPM and its tools.

Conclusion

The pressure of globalization, new economy, accelerating scientific and technological progress creates a need for changes that will enable to make better use of natural, financial and human resources. Limited resources in terms of long-standing sustainability of growth lead to economical and efficient use. "Doing the right things in the right way" (P. Drucker) is famous thought applied in the process approach. Principles of BPM build the basis to increase competitiveness, which many Slovak companies have not realized yet. The survey showed the manager's awareness of major importance in the BPM implementation to maximize the benefits for the customer, as well as minimize unnecessary, redundant processes.

On the other hand, processes in enterprises are described according to own company's standards or with the aim to include them into the quality manual for the implementation of ISO standards. In the transition process only large companies usually invest considerable money in process modeling tools. The survey confirmed this statement. As expected, ISO standards are and will be the quality management system that is mostly implemented by Slovak companies. Other systems and methods are less significant for small enterprises, for large they mean the next steps of process improvement, mainly in the industrial sphere. From mentioned statements and survey's results we doubt whether managers do not confuse process management with managing processes that is required by implementing of quality management systems.

From the above described reasons of BPM implementing, managers agreed on advantages - increasing benefits for the customers while reducing overall costs by optimizing processes. The interviews did not reveal other meanings, which are more essential, especially supporting strategic business objectives and clearly defined competencies and responsibilities in the processes. This confirms that managing of processes is more than familiar to managers, but BPM is not applied.

Small hope for the BPM implementation and its growing importance was revealed in manager's attitudes to process performance measurement. The opinions and answers showed a

positive approach to process measuring leading to their improvement, hence the use of various tools to optimize processes and IT support.

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