

# EXPERIENCES WITH PROCESS MANAGEMENT APPLICATION

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## Abstract

*Process management is an approach that brings new perspectives for management of organizations. Organizations need agile platforms that are faster to react in the market and provide deeper value. Application of process management provides many advantages for organizations and serves as a basis for continual improvement. On the other hand, utilization and implementation of process management is sometimes difficult to handle. There are many barriers and problems linked to its application like lack of visibility and ownership of processes that span functional departments or business units, not well prepared culture or missing qualified personnel. In this article we bring results of our research as well as experience with process management in the global organization. Readers will learn how solid business processes enabled this company to improve its work involving process analysis and its effort to make business units more successful. Moreover, we assessed some barriers and problems occurred while implementing process approach.*

## Introduction

Since the industrial revolution, productivity has been permanently increasing because of technical innovations, improvements of work in the organization, and the use of information technology. Nowadays, special attention in productivity improvement is linked to process management. Process management or Business Process Management (BPM) is the discipline of managing processes as the means for improving business performance outcomes and operational agility. It combines knowledge from information technology and knowledge from management sciences and applies knowledge to management of business processes. Processes extend through organizational boundaries, linking people together and information flows, systems and other assets, create and deliver value to employees, customers and others.

Since middle of the 20th century, computers and digital communication infrastructures have started to influence business processes. This resulted in dramatic changes in the

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organization of work and enabled new ways of doing business. Today, innovations in computing and communication are still the main drivers behind change in almost all business processes. Business processes have become more complex, heavily rely on information systems, and may span multiple organizations. Therefore, process modeling has become of the utmost importance and cross-organizational processes can only function properly if there is common agreement on the required interactions.

## **1 Definition of Process Management**

Process management is not only depicted as one of the current trends in management, but as an approach that shifts the paradigm in the management. Process management can be specified through its comparison with the classical approach in the management of so called functional approach. Generally in the theory of management there are two major approaches recognized. The first approach is called traditional or functional approach to management, the second is called process management or the discipline is called Business Process Management (BPM) (Carda and Kunstova, 2001).

The functional approach is a traditional approach to management based on division of labor and specialization. In this approach, processes are broken down into individual activities carried out by qualified personnel. The organizational structure of enterprise is built on functional units equipped with highly specialized employees to carry out various activities, which requires further coordination. As a result, individual functions and activities are carried out qualified and responsibly, but overall results might not meet the expectations and requirements. The hierarchy of power does not allow the company to respond appropriately to changes in the environment (Kocourek and Odehnalova, 2007; Papulova et al., 2014).

Process approach to management compared with the traditional functional approach supports the company's ability to respond quickly to customer needs, allows flexible shifts and changes to ensure higher efficiency. Process management takes into account the fact that everyday performance of activities extends beyond the tradition functional units in organization structure. In the process management, the organization is viewed as a set of business processes that permeate the different departments and supply their outputs to internal or external customers of the organization. In the process oriented organization, there are all activities and services of enterprise clearly described in the processes. Each process is documented in detail and there are clearly defined inputs and outputs, as well as those that performed them (Papulova et al., 2014; Trunecek, 2003).

The process approach to management is based on mutually interrelated processes in the company and on guarantee of the quality of the process outcome, on the optimal resources consumed and on achievement of high process performance in the entire enterprise. The aim of process management is to develop and optimize the operation of the company to efficiently and economically respond to changes of customer requirements.

The process is a sequence of interrelated actions, which together produce results with value to its customer. Each process has its own customer or customers, whether external or internal. Every process exists for a purpose. That is the main idea of process management, to supply internal and external customers with required outputs through quality processes (Lawson, 2012). Process management is focused on processes, not on individual activities.

The individual activities do not bring the value to the customers. Customers care only whether they receive product or service that they have ordered.

Approach of process management (BPM) can be seen as an extension of Workflow Management (WFM). WFM primarily focuses on the automation of business processes, whereas BPM has a broader scope: From process automation and process analysis to operation management and the organization of work. On the one hand, BPM aims to improve operational business processes, possibly without the use of new technologies (Carda and Kunstova, 2001). For example, by modeling a business process and analyzing it using simulation, management may get ideas on how to reduce costs while improving service levels. On the other hand, BPM is often associated with software to manage, control, and support operational processes. BPM is a systematic approach to improving a company's business processes. For example, a BPM application could monitor receiving systems for missing items, or walk an employee through steps to troubleshoot why an order did not arrive. It is the first technology that fosters ongoing collaboration between IT and business users to jointly build applications that effectively integrate people, process and information (Figure no.1)

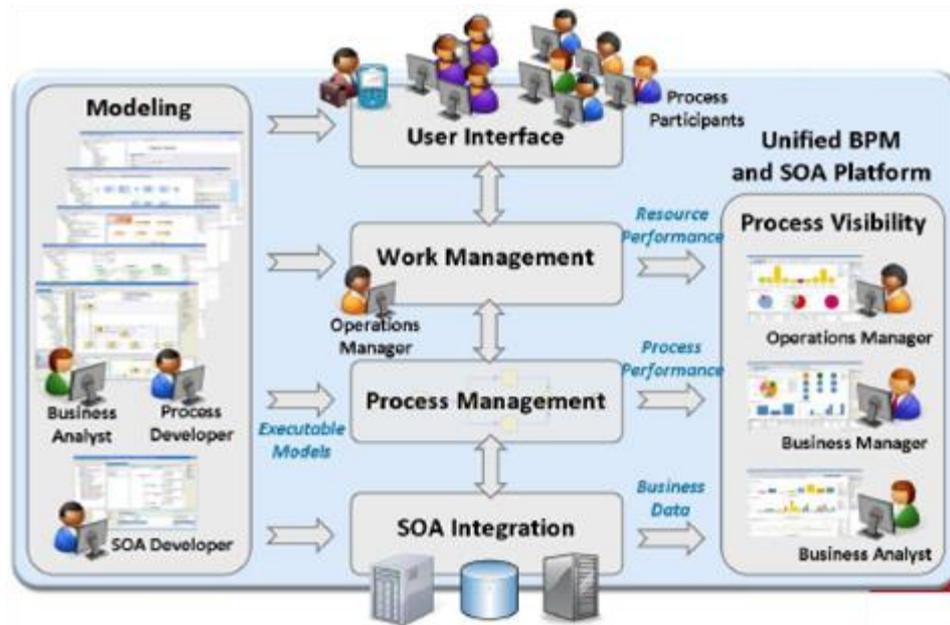


Figure 1: BPM integration (Tibco Software)

## 2 Application of Process Management

The essence of process management is to organize a company on the basis of procedural and projecting process approach to everything we do. That means, any work/activities in the organization should be defined by processes, for instance organizational performance should be derived from process performance, all processes should be described, measured and examined, each process should be documented and graphically visualized through the formation of process model. Processes should be the basis for the development of management documentation, as well as for creating organizational structure, business goals should be defined at the level of processes and to appropriate measurable parameters.

Objectives and measurable parameters should be also the basis for the creation of incentive compensation system. Skills and abilities of workers should be managed and developed based on the requirements of the processes. Processes should be continually improved towards customer satisfaction (added value for the customer) (Repa, 2005).

The process improvement is focused to eliminate losses, shortening process times and downtime, eliminating superfluous costs and non-value added activities. Every process should be control by process owner. Process owners have to take responsibility for their process, control process flow, detect waste and ensure continuous process improvement. The environment inside the organization should support improvement of processes. Each process should be also continuously optimized and subjected to improvement. Process management philosophy should fit in well to the organizational culture.

Multiple benefits of process management application can be defined. Process management can generally aim at optimizing quality, time and cost of process in the organization. The optimization should be a continuing process. In process management we can see the quality of process improvement in terms of increasing the reliability of products and focusing on the interests of the customer, reducing costs through the elimination of activities that do not add value to customer and reduce waiting times, transport times. Another of the extremely current criteria of competitiveness is shortening process times where time is the important factor for satisfied customers and also a significant element of economic recovery of the company.

When deciding to implement process approach to the management of the company, it is important to understand what the main benefits are. Benefits can be found in all areas of organization (Borovsky, 2005; Papulova et al., 2014; Sirota, 2004; our research 2011- 2015):

- establishment of measurement and evaluation system,
- continuous improvement,
- leaner organizational structure,
- higher employee motivation,
- reduction of paperwork and bureaucracy,
- reduction of process costs,
- improvement of relations with external customers,
- clarified responsibilities,
- reduction of conflicts at the interfaces sub-processes,
- creation of new corporate culture that fosters a spirit of teamwork and improvement of corporate know-how,
- decision-making at the right place,
- increase the level of awareness among managers,
- increase of employee satisfaction, loyalty, commitment, creativity and independence,
- greater flexibility and better adaptation to the changing environment.

In some cases, the implementation of process management is not the primary intention of the organization, but it is established within a certain changes, such as the implementation of a new information system, management tool based on the process approach, when entering into new business area, with ISO certification or as part of efforts to cut costs.

According to practical experience and to own research several important barriers can be identified. These barriers often hinder a company to establish or even apply process management long-term (Lawson, 2012; Madison; Papulova et al., 2014; Prosci Research, 2012; our research 2011-2015):

- too much operative problems, not too much time and willingness to support changes,
- lack of communication,
- lack of commitment of senior management to process management application,
- unwillingness to adopt changes at all levels of management, disagreement to change,
- threat of degradation of employees' jobs, threat of losing power,
- unpreparedness / unwillingness of employees to assume the competency and responsibilities,
- unclear, respectively incorrectly defined objectives of the process management transformation,
- lack of knowledge on methods and tools of process management,
- lack of specialists with qualification to BPM application,
- lack of skills and competencies needed for effective change management,
- organizational structure (bureaucratic system...).

### **3 Experiences with Process Management Application**

Based on our long term research, we found a number of benefits as well as risks and barriers associated with the application of process management. In this part we would like to discuss the specific case of the examination of the company with long term application of the process management. This example can be interesting for the companies deciding on the application of process management. We chose a company with ISO certification and application of process management for more than 17 years. We were focused on determining the specific benefits and key barriers that hinder the effective applying of process management in the organization.

The aim of the research was to examine the approach to process management in company AVL Zöllner GmbH. AVL Zöllner GmbH, located at Bensheim (Germany), the local headquarters (while the production is located at Hranice/Czech Republic) and the mother company is AVL List GmbH, located in Graz (Austria).

Some historical data:

- 1946: Establishment of Zöllner GmbH in Kiel (D) product range: hydraulic water brakes and signaling equipment,
- 1955: Expansion with product range “chassis dynamometers and vehicle test instruments”,
- 1993: Establishment of AVL Zöllner GmbH in Kiel,
- 1996: Establishment of AVL-Moravia s.r.o. in Hranice (CZ) as manufacturing plant for chassis dynamometers and mechanical components,
- 2009: Relocation of AVL Zöllner GmbH from Kiel to Bensheim (D).

Company is certified according to ISO 9001:2008 and has an implemented Quality Management System (Process Management); re-certification was done last year and will be repeated in 2017. Based on ISO 9001 and the mother company's procedures, the company has several "global" processes and parallel several "local" processes described, implemented and following them. Each of the departments have own processes: single process owners controlling regularly once a year the processes, procedures and descriptions (documents etc.) Process flows with input, flow, and output and interface description are implemented, single task owners controlling tasks, interfaces and process inputs as outputs. Employees are trained regularly in terms of Quality Management and local Quality Management System.

After 17 years company indentified several important benefits. The key benefit to orientation of the company is of course to be more competitive, but there are many other benefits that company can still assess:

### **1. Avoiding waste**

The process management involves assigning and tracking corporate resources, so that waste is generally reduced, efficiency enhanced and the profitability is increased (cost reduction included).

### **2. Reporting / visualization of performance and continuous improvement**

Definition of KPI's and timely goals: Regular performance review of them can identify possible instances of waste and inefficiency, and continuous process improvements helps to address and tune them.

### **3. Better visibility, increased process efficiency and productivity**

Software tools make process automation possible and visible. With these tools, process owners keep tracking of performance and see how the process's function in terms of real time is. The enhanced transparency allows management gaining a better understanding of all processes and therefore the employees are able to modify structures and processes efficiently. Currently the company uses only Microsoft Excel based on its tools, sufficient so far for the company.

### **4. Increased accountability**

Departments can provide greater accountability for their functions, from tracking and monitoring expenditures to ensuring deliverables met. By documenting all processes and working to optimize each process, the company is able to achieve a system of checks and that all employees are aware of their functions and responsibilities.

### **5. Promoted conditions, to protect company's resources and information**

With internal controls (audits), by corporate policies and documenting proper processes, procedures and mandating full compliance with them, it is ensured employee's safety and company's asset is protected from theft, loss or even misuse.

## **6. Improved Reliability**

Reliability of information and its dissemination in a timely manner is improved. It is mandatory for the leadership to receive accurate information when needed in order to be able to make important and time-sensitive business decisions.

## **7. Simplified Regulatory Compliance**

With process management, the company is able to help the whole organization to keep track of obligations, and ensure that they comply with applicable standards and legislation of company and others. By following clearly outlined processes and staying up-to-date on changing laws, the company can avoid potentially non-compliance / conformity.

## **8. Compliance, safety, security and increased process quality**

With comprehensive process management, it is guaranteed that the company complies with standards and stays up to date with laws and regulations (external as internal). Furthermore, security and safety measures result in the same.

In general, the company considers itself to have a well implemented process management, but they still have some barriers and problematic areas that could be improved:

### **1. Difficulty to have collaboration between multiple or different areas**

Many employees from all areas including managing directors are involved in daily processes and all of them need to be engaged in continuous improvement, it is difficult to bring all of them to a mind of collaboration.

### **2. Interfaces**

Although all processes are well defined, the company identifies very often weaknesses that one process step has impact to another process (good input is good output). Cross-functional collaboration is obvious, but mostly such weaknesses are identified in case something goes wrong and afterwards the process weakness based on an interface problem is identified as root cause.

### **3. Difficulty to identify which processes to prioritize for improvement**

There are several questions to identification of right measures: Are we measuring the right things (KPI's) and do the correct actions on that? Do the right people look at the right measures and are they empowered to do something constructive consequently? Currently the company has once a year management review of identified measurement system.

### **4. The process management tools are inadequate**

Currently Microsoft Office tools are used and consequently paper, but they have to consider that processes are supposed to be treated as assets. They need to be capturing, analyzing, improving and deploying by reported methods.

## **5. General lack of employee engagement**

Every employee is motivated on his/her daily task. The risk is that employees get change-exhaustion, and will soon become skeptical or even hostile to continuing change, but always trying to find a short way to overcome the process and make it easier.

## **6. Knowledge is treated as secret**

Employees are afraid to share their knowledge and report down in a process description what they do and their best practices. They feel easy exchangeable and are afraid to lose the job because anyone else might to take over their position while following only described process step by step.

## **7 Leadership is failing in process governance**

The job of the executive is to set and control the way an organization is running, the management team's job is to execute it. In case the guidance from leadership is missing (e.g. policies are not defined, no budget released or simple the processes are not lived by leadership themselves), it is difficult to make some basic processes work across an organization if managers know that their leadership will not support it.

## **8. Customer out of focus**

Based on the "Inside-Out orientation" we intend to refer to a process that is reviewed through the eyes of the company, looking out at customers as they go through, resulting in a process that is oriented only on the needs of the organization. While doing that (kind of "blinkers view") it is possible to miss the focus on the customer concentrating only at the company because it may be that there are too many issues coming together causing losing the "big picture". It is obvious that "Outside-in orientation" is needed (customer looking at the company through his eyes, enabling a process focused on the needs of the customer), but it is very easy to miss that.

Even after 17 years having implemented process management there are still benefits and barriers sometimes detected daily. That is the reason for continuous improvement. As we already mentioned before, this fact is the main focus of process management application. Other fact that was proved by our examination is the improvement of customer satisfaction declared by process management theory. As the company said, in terms of customer focus they are very successful and receiving on time customer satisfaction queries (CSQ) back for evaluation and actions if necessary.

## **Conclusion**

Nowadays dynamic and highly competitive environment force companies to be more flexible, faster and provide more quality products and services. The Process Management as a new approach is creating good conditions inside the company to gain flexibility and competitiveness. The application is not very easy and demands lot of changes and support of information technology, but can prepare and guide organization towards continuous improvement of its processes and its operation. In this article we focused on examination of

approach of process management, we discussed the main characteristics of application and pointed out the benefits and barriers of this approach. We also examined a global company that has process management implemented already for 17 years together with ISO certification. On this example we can understand the benefits and problematic areas more clearly. After 17 years the company can still declare real benefits and contribution of BPM application. On the other hand, the company is also still dealing with some problematic areas that need to be improved like process interfaces, prioritizing of process improvement, inadequate process tools, lack of employee engagement and so on. One of the recommendations to the company could be the usage of quality software process tools. On the market there are several process software tools that can manage process in complex manner. The improvement of culture of the organization could be other recommendation. Suitable culture could help to engage employees and ensure improvements of processes driven by employees.

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