

# ADAPTING BUSINESS PROCESS MANAGEMENT TO ORGANIZATIONAL STRATEGY

Vlad BALANESCU, PhD  
„Athenaeum” University of Bucharest  
[balanescu.vlad@yahoo.com](mailto:balanescu.vlad@yahoo.com)

## Abstract

*Business processes in general and Business Process Management (BPM) are becoming more and more used as solutions to the problems that medium and large organizations have to deal with. This paper focuses on the steps needed to implement Business Process Management and the way that this concept can be integrated in organizational strategy. BPM is a concept still considered in early stages of development both on a theoretical and practical basis. Its definitions, characteristics and key elements are still debated and improved constantly. One aspect that to me is clear is that Business Process Management is a holistic approach to management, demanding an integrated view of the organization and its main managerial components. One of the most important concepts that need to be considered in relation to BPM is that of strategy. Strategic management is a component of any successful organization; it is a requirement in order to survive in today's economic climate. That being said, Business Process Management can play an important role but only if the design and actual implementation is correlated to organizational strategy. This paper attempt point out a series of steps necessary to assure that this corelation can be done with success.*

**Keywords:** process, reengineering, business process management, strategy

**JEL classification:** D0, L20

## 1. Introduction

Business processes have become in the past decades a field of economic study that has greatly preoccupied theorists and practitioners alike. We can find evidence of this in the great number of articles and theories that have emerged during this time period. Business processes are now viewed as a potential source for gaining a competitive edge in the market. The vast number of ideas put forward in recent years focus on optimizing business processes and increasing organizational performance as a result.

The economic crisis that is still making its effects felt in the economic environment today has forced organizations to seek new and sometimes radical solution to the problems that they have to deal with. Business Process Management, although a somewhat new concept that is still in development, has presented new possible solutions. But there are still questions that need to be answered. Is BPM a potential solution to any organization? Is Business Process Management compatible with other managerial systems currently used? Is BPM a strategy in itself? This paper aims to offer some opinions for these questions.

## **2. Business Process Management – a theoretical overview**

Before attempting to discover the nature of the practical contributions that BPM can bring to organizations I believe it is important to establish some key theoretical issues regarding this concept and the place to start is by formulating a view concerning business processes in general and by analyzing the main factors that led to the development of BPM.

Hammer and Champy, two of the creators of Business Process Reengineering define business processes as: “a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer” (Hammer et Champy, 1993). A similar definition is offered by Rummler and Brache: “A business process is a series of steps designed to produce a product or service. Most processes are cross-functional, spanning the ‘white space’ between the boxes on the organization chart. Some processes result in a product or service that is received by an organization's external customer. We call these primary processes. Other processes produce products that are invisible to the external customer but essential to the effective management of the business. We call these support processes.” (Rummler et Brache, 1995). Thomas Davenport defines processes “as a structured, measured set of activities designed to produce a specific output for a particular customer or market... A process is thus a specific ordering of work activities across time and space, with a beginning and an end, and clearly defined inputs and outputs: a structure for action. Taking a process approach implies adopting the customer’s point of view. Processes are the structure by which an organization does what is necessary to produce value for its customers” (Davenport, 2003). These definitions best surmise the transformational approach to processes. This can be considered a classic view of the subject. The second approach to business processes is based largely on the works of author Peter Keen. He viewed communication as the key aspect to the organization to which end processes are formed and function as a result of this communication and with the goal to coordinate individual activities. Both these approaches have merit and I do not believe this is an “either, or”. In practice both views have merit and application.

The two main influences that contributed to the development of Business Process Management have been Business Process Reengineering and Total Quality Management (Table 1).

<b>Aspect</b>	<b>BPR</b>	<b>TQM</b>	<b>BPM</b>
Level of change	Radical, one step change	Evolutionary & continuous	Evolutionary & continuous
Time necessary for implementation	Long time	Medium time	Short time
Starting point	Drawing board	Current process status and current business practices	Current processes and automation levels
Expense	One major process at a time	Flexible	Flexible – simultaneously across one or more / small or major processes
Methodology	Redesigning of business processes	Complex including business processes, quality standards.	Process and decision models
Risk	High	Low	Low
Outcome	Drastic	Incremental improvement	Incremental improvement
Implementation stress and concern	High	Low	Low
Involvement	Business and process experts	All internal stakeholders	Process experts and all related people

Table nr. 1 Comparison between BPM-BPR-TQM  
Source: Bălănescu Vlad (2011)

Reengineering is a concept developed in the early '90's that took a more radical approach to business processes. It stated that radical change and redesign in the area of processes is needed in order to achieve significant improvements. Furthermore, T. Davenport, one of the promoters of BPR stated that when implementing it a company should seek multiplicative levels of growth (five times rather than 5%). BPR became a very popular idea and established the idea that business processes can be a source for a competitive edge. However, statistics show that the actual results when implementing BPR were far from a guarantee success. According to M. Hammer and J. Champy, 50 to 70% of reengineering efforts fail to produce the intended results. There are two categories of

causes for these high numbers. First of all there are objective reasons like flawed implementations, a lack of understanding of what BPR actually is and can do, mistaking BPR for a complete strategy and ignoring other crucial parts of the organization. Second of all, there are subjective reasons: the expectations of the organization in the moment of implementation were not realistic so, although BPR sometimes produced positive results, it did not result in the multiplicative growth that was desired. As a result, BPR has had its share of criticism. The most important aspect that is considered to be neglected by BPR is the human dimension of the organization. Very often, the label BPR was used for major workforce reductions, even though the creators of the concept promoted that it should not be used with the sole purpose of reducing costs. Reengineering focuses on business processes and, most of the time, the ones who implement the measures neglect to think of the organization as a whole. It was also said that BPR offers short term solution but no long term continuity. This last fact was a particularly difficult obstacle because of the approach put forward by Davenport concerning multiplicative growth. A lot of companies considered that process reengineering was a strategy in itself but neglected the continuous evaluation part of the equation. The changes were often made almost mechanical without detailing to the particular realities of that certain organization. (Balanesu, 2013).

Business Process Management is the third wave in business process theory and can be considered a response to all the critique formulated for BPR. The best way to balance the negative aspects of BPR was considered to be the introduction of a continuous element to the implementation. Also the radical approach of BPR is traded for a more cautious and less risky proposition: not to substitute existing processes but to improve on them wherever possible. These solutions are integrated in Business Process Management. BPM is a holistic management approach that promotes business effectiveness and efficiency while striving for innovation, flexibility, and integration with technology. (Brocke, Roseman, 2010).

The second major influence for Business Process Management was Total Quality Management (TQM). A focus on quality has become a constant for the vast majority of important companies worldwide. Introducing quality management components to a process approach also tends to balance the negative aspects of BPM. If we consider table nr. 1 this conclusion is obvious. Based on these two major influences, BPM can take two forms. If the primary influence is reengineering then we are dealing with an Inside – Out approach to BPM with the main goal being to optimize and increase the internal efficiency of business processes. If the main influence is TQM then we are dealing with the Outside – In approach to BPM, where the starting point of the implementation process is the needs and expectations of the

consumer and how best to align business practices and processes to meet these demands.

Taking into account these elements some has reduced BPM to a neat and simple formula:  $BPM = BPR + TQM$ . I do not believe that thing can be summed up all that simple. It is clear even from the table above that BPM is very powerfully influenced by both concepts but, in my opinion, it cannot be defined as a sum of the two. BPM is viewed as a holistic approach to management and promotes an integrated approach to the organization. Most large companies today use multiple management systems in day to day operations, systems that have to be correlated and used in combination. This, I believe, is the strong point of BPM: it is flexible and complex and can be adapted to specific needs and demands. But for this to be true, this concept was influenced by a number of others and itself influences some of them in return. (Figure 1) Concepts like strategic management, change management, human resource management all play a crucial role in the organization and should not be ignored in the implementation of Business Process Management.

The connection between Business Process Management and strategic management has been researched in the past. For example Pritchard and Armistead listed a series of recommendations for implementing business process management. Among these were the following (Pritchard et Armistead. 1999):

- Introducing Business Process Management as an integral part of organizational strategy. Successful BPM implementation is tied to a strategy that aims for business excellence or organizational efficiency. The lack of correlation between process development and strategy is one of the main reasons why reengineering had questionable results. This correlation is essential for business process management as well;
- The impact of a business process management oriented strategy on individuals and teams must be taken into account. It is easy to think of BPM as an abstract system the can benefit a company in the long term. It is also easy to forget that BPM has impact on an individual level and it is the individuals, the human resource of the organization that will be the decisive factor in determining the successful implementation.

In addition to this, another very common practice for organizations is process orientation. These companies view processes as a means of sustaining a competitive edge and therefore business processes are considered to be of strategic importance. It is becoming more and more common for companies to formulate a strategy that specifically targets

business processes. This should not be mistaken for the organizational strategy as a whole. (Balanescu, 2013).

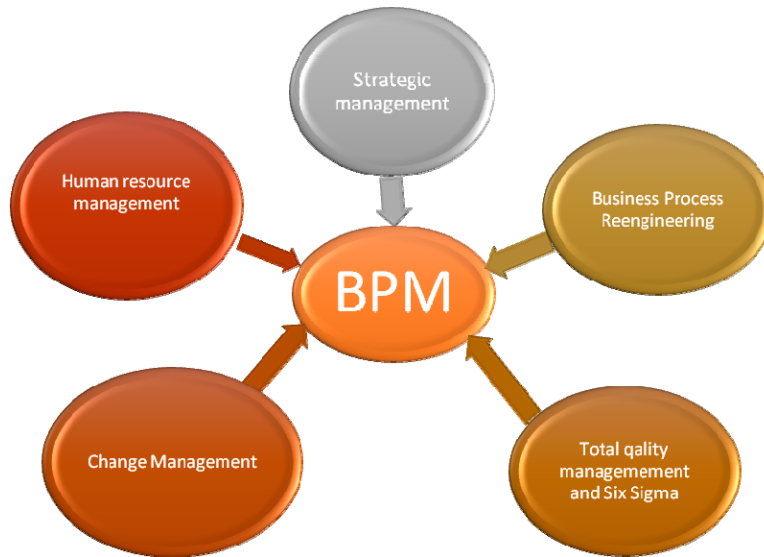


Fig. 1 Major influences for BPM

### 3. Case study – Adapting BPM to organizational strategy?

First of all, it is clear that Business Process Management is influenced and influences organizational strategy. But given the complexity of the concept and integrated and holistic view of the organization can it be characterized as a strategy in itself? In my opinion the answer is no. BPM should be considered a complex strategic option that impacts other strategic elements.

Rather than presenting a theoretical analysis of the correlation between BPM and strategic management, I have chosen to show an example of this. Bank X (base on a real case) operates in Romanian market and is subsidiary of an international organization. In 2013 it implemented a new strategy which the declared objective being to enter the top 10 banks operating in the Romanian market in regards to profitability and number of clients. One of the main points of the strategy was to optimize internal business processes with an emphasis on operations in which the client is directly involved. The strategy does not mention Business Process Management as a tool to be used but this can be extrapolated.

The first step for any organization that is considering implementing BPM is deciding if it truly is a solution for the company. And this was the

first step for bank X. In my opinion there are four elements to consider when making this decision:

- a. The size of the organization: given its complexity, BPM is designed as a solution to medium and large organizations. That is not to say that smaller companies cannot benefit from implementing certain aspects of BPM but a complete implementation of the concept requires resources that most small organizations do not have.
- b. Resources: the level of resources needed to ensure a successful BPM is directly correlated with the importance the organization put on processes before this implementation. In any case, the resources needed will be substantial and the organization must decide that it is willing and able to undertake such a commitment.
- c. The industry in which the organization functions: although processes are no longer the exclusive domain of the production industry, the particular companies have the most to gain from its implementation. In the last decade the service industry has also been more interested in a process approach, but so far with mixed results. This is not to say that a process oriented service organization cannot function at a high level, only that the model and the implementation will be harder to formulate
- d. External factors: the three main elements to consider are, like in the case of BPR, clients, competition and change, the three C's. Therefore it is important to take into account the following: what do the customers expect from my products/services; what is the company's position in regards to its competitors; what is the current economic climate.

In the case of Bank X it was decided that a focus on processes can be considered a viable strategic option. The organization operates on a national level. It has the resources needed to assure a long term commitment to improve business practices and internal operations. Even if the company operates in a sector not traditionally associated with a process focus, which does not mean the BPM cannot bring real contribution to organizational performance.

The next step is deciding what the approach to BPM must be and what elements of this concept should be implemented. In order to determine BPM's place in organizational strategy we need to identify the components of this strategy. For this, we chose to see the methodology proposed by professors Nicolescu and Verboncu. According to their assessment strategy can be divided into: the mission of the organization, strategic objectives, strategic options, resources, deadlines and competitive edge. By this classification, BPM can be considered a strategic option, a means to an end.

In table nr. 2 we can observe how these strategic components influence and are influenced by the decision to implement BPM.

Nr.crt.	Strategic component	Correlation to business process management
1	The mission	BPM cannot influence the mission of the organization in any way. Only the reverse is true. The mission of the company influences the approach to BPM that will be implemented. A mission that focuses on customer needs and expectations will adopt an Outside – In approach, while one that focuses on internal efficiency will opt for an Inside – Out approach. The mission statement for bank X states that: „we want to be a benchmark of excellence for financial services in Romania, offering maximum benefits to our clients, employees and shareholders”. The terms benchmark of excellence is clearly a quality focus for the organization so the Outside – In approach to BPM should be preferred.
2	Strategic objectives	The connection between BPM and strategic objectives is twofold. On the one hand, strategic objectives can determine the organization to implement BPM either when specific objectives target processes directly or when process performance has to be high in order to achieve other objectives. On the other hand, a strategy created around BPM can alter medium and long term objectives (this is not recommended). Bank X has stated the following objectives that directly involve BPM implementation: the reduction by 20% of overall process time after 6 months after BPM implementation; the reduction of overall process costs by 15% by the end of 2014 and the complete dissemination to all employees of the process map.
3	Strategic options	BPM is in itself a strategic option. But implementing it will require the addition of other such options like refurbishing, the increase of computerization in work processes, modernization of staff and training. Bank X has taken this into account and has decided that two additional strategic options should be implemented to facilitate BPM: refurbishing (new technological systems will be added, both hardware and software)



		and additional training for employees that will be involved in the new processes.
4	Resources	BPM will require an investment. Financial resources, human resources, logistical and technical resources will all be involved in implementing BPM. Bank X set aside a specific budget for this purpose taking into account both short term investments and long term maintenance costs.
5	Deadlines	It is hard to determine a correlation between deadlines and BPM. A previous process focus will determine shorter time for BPM implementation because the base elements already exist. In the case of Bank X the time provided for completing BPM initial implementation is 12 months.
6	Competitive edge	The competitive edge that is sought by the organization can impact the approach to BPM that is implemented in a similar way to the mission statement. In the case of bank X the competitive edge sought is based on differentiation and will therefore require a more human approach to BPM.

Table nr. 2 Correlation between strategic options and BPM implementation

After deciding on the approach to BPM the last step is deciding on a BPM model and implementation methodology that is correlated with the overall strategy. In the case of bank X, the model comprised of six steps (Figure 2):



Fig. 2 BPM model used by bank X

The first step of the model is identifying business processes within the organization. This step is necessary because the organization lacked a previous process focus so not all processes were mapped. The end result of this step is the creation of a business process map for the whole company which can then be studied. The second step involves an analysis of business process performance. For each process identified performance indicators must be created in order to quantify the overall effectiveness of a specific process. At the end of this step the organization created three lists: processes that are operating efficiently, processes that need improvements and processes that should be eliminated or replaced. The next step was formulating a process strategy for the entire organization. In order to do these new strategic objectives for business processes were formulated, performance indicators were established, a new process map was designed, a specific budget was allocated for resources deemed needed for BPM implementation. The actual implementation consisted of operating the changes provided for in the strategy. It is important to note that in the case of bank X the integrated approach to BPM was not ignored and during the preparation stage elements specific to change management were used to facilitate the implementation. In order to assure a continuous evaluation, monitoring and improvement of business processes bank X plans to create process oriented teams and a specific department to deal with organizational change.

This example shows that there is not correct way or a wrong way to implement Business Process Management. But there are some principles that need to be taken into account. Do these guarantee success? Unfortunately not. In the case of bank X the specific results of this new strategy will be seen in the years to come. I believe that the, overall, bank X used a sound method to adapt BPM to the overall strategy and that should reflect in the company's performance in the period to come.

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