

Problems of Institutionalization of the Process-Based Management in Industrial Enterprises

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Abstract: Creation of an effective management system is a currently important task for any company. One of the most promising approaches to formation of such systems is a process approach which includes identification in a company of a set of interrelated business processes with the respective products and managing them so, as to achieve maximum operating efficiency of this company. Formation of the process-based management system in a company in terms of the institutional theory involves achieving two main objectives: formation of the new rules and identification of the cases for their application by the company's employees (the intended recipients of the norm). The result of this task achievement is considered the documented list of new rules and situations of their application by employees which is formed and based on modeling the algorithms for business processes future functioning. The institutionalization of new rules in the company which means within this study, the acceptance and further application of these rules by the company's employees (the intended recipients of the norm). The result of this task achievement is strict adherence and application by all employees of the prescribed rules depending the situation which allows organizing business processes functioning in accordance task faces, the problems which can be divided into the following groups: methodological problems the essence of which lies in lack of understanding, the goals, tasks and opportunities of the process-based management, in violation of methodological foundations of business processes description and their constituent elements; problems to present the rules and situations of their application in documentation.

Key words: Institutional economy, business process, process approach in business management, the industrial enterprise, employees

INTRODUCTION

Creation of an effective management system is a currently important task for any company. One of the most promising approaches to formation of such systems is a process approach which includes identification in a company of a set of interrelated business processes with the respective products and managing them, so as to achieve maximum operating efficiency of this company. The process approach is a relatively new management technology for Russian enterprises. Research suggests that the Russian companies are at the initial stage of realization of process-based management, particularly, the results of maturity level evaluation of business processes in a company using the six-level Gartner scale show (Koptelov, 2008a) that 42.86% of the companies correspond to the first maturity level of process management 28.57% to the second one.

MATERIALS AND METHODS

Formation of the process-based management system in a company in terms of the institutional theory involves achieving two main objectives.

Formation of the new rules and identification of the cases for their application by the company's employees (the intended recipients of the norm). The result of this task achievement is considered the documented list of new rules and situations of their application by employees which is formed and based on modeling the algorithms for business processes future functioning.

The institutionalization of new rules in the company which means within this study, the acceptance and further application of these rules by the company's employees (the intended recipients of the norm).

The result of this task achievement is strict adherence and application by all employees of the prescribed rules depending on the situation which allows organizing business processes functioning in accordance with the previously developed models. Implementation of the first task faces, the problems which can be divided into the following groups: methodological problems the essence of which lies in lack of understanding the goals, tasks and opportunities of the process-based management, in violation of methodological foundations of business processes description and their constituent elements; problems to present the rules and situations of their application in documentation.

Successful solution of methodological problems is the basic condition for further implementation of process-based management of a company. According to the research, conducted by IDS Sheer and PAC (Koptelov, 2008a, b) 54% of companies are distinguished by unsystematic approach to describing business processes of the enterprise, without any clear methodology. According to, records of IDS Scheer (Pateshman and Makhovski, 2007), the studied companies identified as the main goals of business processes description: their further use for regulation of business processes (69.05%), improvement of activities (66.67%), implementation of IT-solutions (40.48%), quality management system (28.57%), implementation of internal control system (21.43%). Based on the results obtained in the course of research by FINANSY.RU (Repin and Lysenko, 2010; Pateshman and Makhovski, 2007) in the process of implementing the process-based management there appear the following difficulties: building a system of indicators for business processes management 32%, business processes optimization 27%, identification and structuring of business processes 26%, assignment of responsibility among participants of the processes 26%, description of business processes 24%, analysis of business processes 22%, regulation of business processes 19%, creation and analysis of value chains 19%, construction of a system of business processes of a company 12%.

The absence of the unified, scientifically based methodology for describing, modeling and documenting the business processes results in having the models of business processes which are unsuitable for further work on analyzing, reorganizing, implementing the process based management; development of models of business processes using different software which results in its turn in models inconsistency and complexity of their further application; problem of synchronization of documents created in different data bases.

One of the problems of methodological nature which appear at the initial stage in the course of implementation of the process-based management is the absence in a company of a clearly defined mission, strategic goals and objectives. This fact also causes difficulties to describe and regulate business processes, set priorities, develop a system of indicators for business processes which are appropriate for strategic goals and objectives and as a consequence, it results in the absence of logical integrity of all corporate system.

Solving the second group of problems problems to display the rules and situations of their application in a company's documentation is the most relevant for the intended recipients of the norm, because it is specifically

to organizational and technical documentation regulating the realization of business processes the employees refer to in case of violations of progress of business processes, occurrence of disputes and conflicts related to the prescribed actions in certain situations (i.e., content of the rules) and determination of responsible persons and the degree of their fault for inappropriate execution of the rules.

First of all, strict sequence of operations within the business processes and their timing must be defined which will not allow the owners of such processes to interpret arbitrarily these parameters. Secondly, the corresponding responsible persons should be determined for execution of operations and business processes. Thirdly, the documentation should include the agreed inputs and outputs of the interrelated business processes.

Taking into account periodic variations in execution the procedures of business processes and operations included in such, occurred as a results of improving organizational and technical measures, it is necessary to provide timely updating of the process documentation. The task of institutionalizing the new rules in a company is connected with solving of a group of organizational problems.

This group of problems is closely related to the interests of a company's personnel, whose motivation predetermines the success of implementing the process-based management and the objectives of the group in charge of implementing the process-based management.

It is necessary to emphasize, the fact that before introducing the process-based management the company had formed and maintained the management system functioning in institutional balance and the established rules and implementation of the process-based management can be characterized as an imposed from above discrete violation of the institutional balance in management of the company and the established communications both formal and informal, affecting the interests of all staff of the company (Ilyin, 2006; Abdikeev *et al.*, 2005).

Each employee of the company (the recipient of previously existing norm), in which the process approach is being introduced and new rules are being developed, faces a choice: to accept and comply with the new rules, taking into account all positive and negative aspects or ignore the newly developed standards and subject to sanctions from the part of the guarantor of standards observance in the person of a senior manager.

The condition for successful institutionalization of the process-based management in a company is the

excess of the benefits from its implementation for the company's personnel over the potential losses. The emerging organizational problems can be divided into three areas:

- Organizational problems associated with the top management
- Organizational problems associated with the line personnel
- Organizational problems of the working group on the project of implementation of the process-based management

It is well known that the critical factor in the successful implementation of process-based management is its support by the senior management (Eliferov and Repin, 2006; Repin and Eliferov, 2008; Telnov, 2005). It is even more effective when top managers, process owners and IT-managers are working together on its implementation in the company. However, in practice, the company faces not only lack of attention and interest to the description of business processes from the senior management but also ignoring the systems of process management, counteracting the formation of a control system for implementation of business processes, formal attitude of their owners to their duties (Robson and Ullah, 2003).

RESULTS AND DISCUSSION

Attempts to regulate top managers' work often encounter the opposition that only the head of the company can overcome. In such situations, the role of the head of the company is extremely important and involves regulation of conflict issues emerging between the functional units in the course of implementation of the process-based management and, if necessary, changing the powers and tasks of the heads of functional departments (process owners), methods of work, determination of the criteria to evaluate the effectiveness of processes, overcoming psychological unwillingness of senior and middle managers to implement the project (especially, if the company as a whole is successful and profitable), promotion of a positive image of the project and not allowing to sabotage it (Auzan, 2005).

The research conducted by "FINANSY.RU" (Repin and Lysenko, 2010) found that 73% of managers take an active part in planning and realization of the projects related to implementation of the process-based management. Another "cutoff" showed that only 21.6% of respondents-managers believe that these projects generally reach their goals and the planned efficiency and 53.2% talk about partial achievement of the goals.

Therefore, the companies' chief executives are more aware of the need to introduce the process-based management, however, the results achieved for one reason or another fail to meet their expectations.

An important factor in successful implementation of the process-based management is the attitude to it from the part of ordinary staff. Here, the company can face boycott or sabotage problems with regard to the project which happen, as a rule, due to the following reasons:

- Measures to optimize business processes lead to reduction in manpower requirement
- Fear of making mistakes and therefore it is necessary to neutralize punishments of personnel for nonconformity of the quality of works performed with the established standards and to solve but not to hide problems
- Resistance of the staff to changes, violation of the usual progress and the established relationships because of the fear of not cope with the newly organized work
- Lack of knowledge and understanding of the purposes of implementation of the process-based management leads to demotivation of the staff in the course of its implementation and skeptical attitudes towards any innovation. The staff opposes the ideas that come "from outside". In order to minimize such resistance it is necessary to do the explanatory work as soon as possible, to involve people in the project of introducing the process approach, so that they could consider themselves as an important part of this project and identify themselves with it
- The problems are often associated with inefficient introduction of process-based management in the company at the level of operating personnel, caused by insufficiency of knowledge in this area as well by simple lack of time for the employees engaged in ongoing work

The third area-organizational issues related to the working group for implementation of the process-based management. Attempts to solve the problems of the working group for implementation of the process-based management on their own, without participation of heads and managers of the company are rarely successful as practice shows. In addition, when the works on reorganization of processes involve no leaders and employees responsible for their execution, such works are doomed to failure 80-90% (Repin and Eliferov, 2008).

If the group engaged in implementation of the process-based management has no clear goals and plans to achieve them, no technical specifications for the works on the project, no preparatory work that leads to increase of the project schedule, misunderstanding of goals and results of the project within the company, demanding the

results achievement of which required more resources and time and necessary support from the part of the company's management. The group must have sufficient powers to implement the project, all group members must have enough time and resources and necessary knowledge and skills to perform the tasks.

Findings:

- Russian industrial companies are on the initial stage of management concepts implementation on the basis of business processes
- Process management implementation faces the problems of methodological nature
- Company employees oppose the process management implementation
- Institutional approach allows to form new interaction algorithms between employees and structural subdivisions

CONCLUSION

Thus, formation of the process-based management system and its institutionalization in a company involve certain difficulties and problems. The considered problems, of course, do not exhaust the diversity of possible problem situations that can arise in the course of implementation of the process-based management. However, even consideration of these issues allows getting an overview of complexity and labour intensity of its implementation in companies. The complexity of the arising problems is caused by both their multidimensionality affecting methodological, technical, organizational and social issues and their interdependence. Failure to keep such problems in mind during implementation of the process approach can lead not only to the results different from the expected ones but to the undesired discrediting of the very idea of this approach.

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