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THE IMPACT OF BUSINESS PROCESS MANAGEMENT ON ORGANIZATIONAL STRATEGY

Vlad BĂLĂNESCU
The Bucharest Academy of Economic Studies, Bucharest, Romania
balanescu.vlad@yahoo.com

Paul SOARE
The Bucharest Academy of Economic Studies, Bucharest, Romania
paulsoare@yahoo.com

Vlad BELICIU
The Bucharest Academy of Economic Studies, Bucharest, Romania
vlad.beliciu.mb@mfinante.ro

Cristina ALPOPI
The Bucharest Academy of Economic Studies, Bucharest, Romania
calpopi07@yahoo.com

Abstract
In this paper I attempted to establish a link between business process management and strategic management. After the introduction, in the second chapter I made a short presentation of business process and business process management, what the concept entails and prospects. The third chapter contains a definition of strategic management and some key issues of this concept that are pertinent in relation to business process management. Finally, the fourth chapter focuses of the impact that business process management has on organizational strategy as a whole and on its components.
Keywords: Business process management (BPM), Strategy, Strategic process.

1. INTRODUCTION

Business process theory has evolved in the last few decades at a very rapid pace, much more so compared to the period before 1990. The focus and importance of organizations, both public and private, have made possible many innovations in this field of research. The contributions have come from either theoretical concepts or applications. Business process management is considered to be the third wave in business process theory and it will, by no means, be the last. BPM will, like its predecessor, business process reengineering, make a mark, a contribution. But this concept is still in its infancy.

Strategic management is not a new concept but new ideas concerning it are formulated frequently. This paper does not focus on strategic management concepts, but rather tries to link these concepts to business process management. More and more researchers try to come up with integrated or holistic approaches to management. That is because no management concept, be it strategic management, change management, human resource management or process management can stand alone. The reality is that organizations have to combine these concepts in practice. Establishing a link between concepts and attempting to integrate the in models is, in my opinion, of key importance.

2. PROCESSES AND BUSINESS PROCESS MANAGEMENT

Before discussing Business Process Management and the link between this and Change Management I believe it is important to, first of all, define business processes. In table nr.1 below I presented several definitions given by experts and attempted to present a definition of my own.

TABLE 1 – BUSINESS PROCESSES - DEFINITION

No.	Authors	Definitions offered to business processes
1	Thomas Davenport	Business processes are a structured, measured set of activities designed to produce a specific output for a particular customer or market. It implies a strong emphasis on how work is done within an organization, in contrast to a product focus's emphasis on what. 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)
2	Michael Hammer and James Champy	A business process is 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)
3	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)
4	Mohamed Zairi	A business process a series of activities that lead to the transformation of input into output. A process represents the means by which the resources of the organization are used safely, repeatedly and consistently in order to achieve strategic objectives. (Zairi, 1997).
5	Personal opinion	Business Processes represent those activities or series of activities that contribute to the realisation of a final product either directly by adding value to the inputs of the organization or indirectly by contributing to the optimal running of organizational activities.

Source: Made by the authors

Business Process Management is a theoretical concept that has appeared relatively recently. It is only in the last decade the serious attention has been paid to it and to the improvements that it supports. Business Process Management (BPM) is derived from Business Process Reengineering which was defined by one its creators, as being: "the fundament rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service and speed" (Hammer et Champy, 1993).

Business Process Reengineering has had its share of criticism. This criticism had more to do with the practical implementation of reengineering rather to the theoretical aspect of it. 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 is should not be used solely with the purpose of reducing costs. According to M.Hammer and J.Champy, 50 to 70% of reengineering efforts fail to produce the intended dramatic results. The study conducted by the two authors pointed out that there are two sets of issues that needed to be dealt with. The first was implementation problems: unclear concepts, lack of a well-established methodology, misinterpretation of what BPR is supposed to do for a company. These were just some of the issues that appeared. The second part of the problem had to do with perception and expectations. As I mentioned earlier, Thomas Davenport described BPR as the way to achieve multiplicative growth and reengineering was marketed as such. Of course the popularity of the concept sky rocketed and everybody wanted a piece of it: companies that wanted to achieve a financial bottom line three or four times higher in the next couple of years and consultants that promised to fulfil these dreams in return for a lot of cash. In the quote at the beginning of the paragraph it said 50 to 70% of reengineering efforts fail to produce the intended dramatic results. So the implementation did not necessarily fail, but it did not meet expectations, and if these expectations were just part of the hype this statistic is not bad at all (Balanescu, 2011).

As a response to the critique, solutions have been formulated in order to optimize the efficiency of business processes. These solutions are integrated in Business Process Management (BPM). BPM is a management approach focused on aligning all aspects of an organization with the wants and needs of clients. It is a holistic management approach that promotes business effectiveness and efficiency while striving for innovation, flexibility, and integration with technology (Brocke et Rosemann, 2010). Mathias Weske defines Business Process Management as being: „concepts, methods and techniques to support the design, administration, configuration, enactment and analysis of business processes" (Waske, 2007). From this definition, Mathias Weske has identified five categories of activities related to Business

Process Management: design and analysis, modelling, configuration, enactment, and evaluation (Balanescu, 2011).

The process based management approach has, at its core, a perspective that views the organisation as a system of interconnected processes which involve efforts in documentation, improvement and respect for the business practices of the organization. It is considered that this concept evolved from the works of W.Edgards Demings, Joseph M. Juran and Kaoru Ishikawa, following a rapid popularisation of Total Quality Management in the late 1980's. Further contributing factors can be identified such as: the ISO 9000 programmes, Business Process Reengineering and Six Sigma (Benner and Tuchman, 2002).

Business Process Management is a management approach that has, as its main objective, to align the functions of the organisation to the needs of the customer, promoting an open environment favourable to change and continuous improvement and growth.

3. STRATEGIC MANAGEMENT

Strategy has become an important part of economic theory in the second half of the last century. Since then strategic management has become one of the most debated and widely implemented economical concepts.

TABLE 2 – STRATEGY - DEFINITION

No.	Authors	Definitions offered to strategy
1	H. Igor Ansoff	Strategy is the comun axes of organizational actions and products/services which define the essential nature of economic activities that are done by the organization either now or in the future (Ansoff, 1965).
2	Ovidiu Nicolescu, Ion Verboncu	Strategy can be defined as the sum total of major organizational long term objectives, the main ways to achieve them using the resources at hand in order to obtain a competitive advantage in accordance with the mission statement. (Nicolescu, Verboncu, 1999)
3	B. Quinn, H. Mintzberg, M R. James,	Strategy represents a model or a plan that integrates into a coherent whole the major aims of the organization, its policies and programs. (Quinn, Mintzberg, Jamaes, 1988)
5	Personal opinion	Strategy represents a long term plan and vision that describes the desired future state of the organization and the means by which to reach this state.

Source: Made by the authors

According to H. Igor Ansoff, Strategy is the comun axes of organizational actions and products/services which define the essential nature of economic activities that are done by the organization either now or in the future (Ansoff, 1965).

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Strategic management established itself in economic theory in the 1970's, the most important name credited to this I that of Igor Ansoff. C.Russu defines strategic management as a process through which the top management of the organization determines long term evolution and performance, by ensuring rigorous formulation, appropriate application and continuous evaluation of strategy (Russu, 1999).

According to R.Daft strategic management represents the set of decisions and actions used in order to formulate and implement strategies and plans, set that can become a correlation, from a competitive point of view, between the organization and its environment which will allow the organization to achieve its strategic objectives (Daft, 1992).

These are, of course, only a few definitions that have been given to strategy and strategic management. I will not go into further detail concerning strategic management, as it is a domain with vast ideas and interpretations. However, I consider it important to present an example of a strategic management model to serve as an example for the correlation.

4. IMPACT OF BUSINESS PROCESS MANAGEMENT ON STRATEGY

First of all, I believe it is important to mention that business process management, although a very complex subject should not be considered a stand alone strategy. BPM can be a very strategic component, the use of which can greatly influence other parts of organizational strategy.

The link between business process management and organizational strategy has been looked into before. Pritchard and Armistead listed a series or recommendations for implementing business process management. Among these were the following (Pritchard and Armistead 1999):

- Introducing Business Process Management as an integral part of organizational strategy. Successful BPM implementation tied it to a strategy that aimed 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 these points I would like to point out another. Process orientation in organizations has become something relatively common, especially for large companies. 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.

In order to study the impact of business process management on organizational strategy, the first thing to do is to identify the elements of that strategy. As with the case of definitions, many theories have been published concerning this subject. For the purposes of this paper I have selected the classification made by Professor Ovidiu Nicolescu.

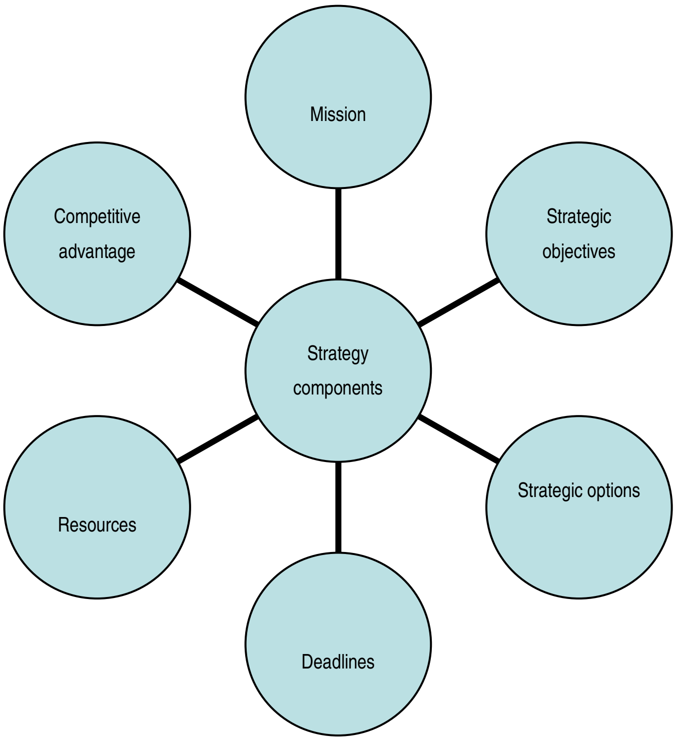

FIGURE 1 – THE COMPONENTS OF STRATEGY
Source: ADAPTATION FROM O.NICOLESCU AND I.VERBONCU, 1999.

Most of these aspects are influenced by the implementation of business process management.

a. **The mission of the organization** represents the basis for the company strategy, it is a set of principles that guide its activity, the general expression of its reason for existing, guiding the evolution of the organization in accordance with expectations from stakeholders. There are two general lines followed in mission statements: either focuses on customer satisfaction or internal efficiency. In the case of BPM, mission changes are not a necessity. BPM is created in order to align the business processes of the company with the needs and expectations of the customers. However, most companies and large organisations already address the need to focus on the customer in their mission statements and realise the importance of that fact. The only alteration that can occur in this case is putting the business processes of the organisation to serve these needs and expectation. All in all, the changes to the mission if the organisation should be minor by implementing BPM.

b. **Strategic objectives** represent a desired future state of the organization in quantitative terms. Professor Nicolescu identified seven areas of performance that are relevant to strategic objectives: profitability, market share, innovation, productivity, human and financial resources, managerial performance and public responsibility. Of course, one organization does not need to include all of these aspects into the strategy. Two situations can arise in the relationship between strategic objectives and business process management. First of all, if the strategy is based around BPM that can influence long term strategic goals by the increase on internal efficiency and overall profitability. The second situation is more common: strategic objectives demand an increase in process efficiency and so BPM is implemented. With the possible exception of public responsibility, business process management can have a long term impact on al other areas of performance.

c. **Strategic options** represent courses of action that a company can take in order to achieve the strategic objectives, with implications on all organization activities or a significant part. In my opinion, and based on this definition business process management can be considered a strategic option, but a very complex one. Implementing BPM requires the usage of other strategic options that may or may not be used at present: refurbishment, the increase of computerization in work processes, modernization of personnel staff etc. BPM is a very flexible concept: it can affect only one or two processes in the company of can represent a complete redesign of major processes, the decision being based on the strengths, weaknesses, opportunities and threats that the organisation has to deal with.

d. **Resources** represent all the efforts made by the organization in order to achieve its objectives. BPM can be broken down in two: a technological approach and a managerial approach. After understanding this it is clear that technological changes must occur in the organization in order for BPM to be implemented with success. A very large part of BPM is automation of activities and processes wherever possible in order to increase efficiency. To that end the acquisition of state of the art technology becomes a necessity. The implementation of BPM can only occur with the modernization of the technology used by the organization.

e. Competitive advantage means making products and offering services that are superior from one point of view to consumers in comparison to other similar products offered by the competition. Gaining a competitive advantage is the goal of the strategy. There are two major types of competitive advantage: cost based and differentiated based. The most obvious way BPM can affect competitive advantage in through cost. Increasing the efficiency of business processes can lead to lower production costs.

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