

# Business process management (bpm)

[Business](#), [Management](#)



## Introduction

Business Process Management (BPM) is the medium by which management's involvement is instigated and sustained.

A common feature of the new approaches to organisation is that the internal activities of firms are seen as a process or a set of processes and that the organisation problem of the firm centres round optimising the outcomes of internal processes. Processes take inputs and convert them to outputs on behalf of the 'customers' of a given process.

A business process is defined as the "specific ordering of work activities across time and place, with a beginning, and end, and clearly identified inputs and outputs: a structure for action" (Davenport, 1993, p. 5).

## Elements of BPM

Elements of BPM have been around for some time. They can be distinguished in literature on 'value' and 'quality' going back some time. The more cynical might be forgiven for feeling that what has been reengineered is the wheel.

Even so, amongst its distinctive features, and one which perhaps elucidates its attractiveness (and saying much about its dangers) is its assertion to socio-technical systematicity. Leaving aside this entire means for the moment, one thing this systematicity does involve is effective measurement. This is why technology is so central in the BPM literature. Even though BPM can be variously typified as a recipe for basic change or as a more modest and progressive modification of business objectives in terms of core processes (Harrington 1991), the role of IT is more or less universally seen as critical.

Particularly, IT is significant since it is able of magnifying the accuracy and the scope of measurement. Thus:

“ Measurements are key. If you cannot measure it, you cannot control it. If you cannot control it you cannot manage it. If you cannot manage it you cannot improve it”. (Harrington 1991: 82)

However, in spite of placing IT at the centre of the change-management process, BPM is predicated on the recognition that traditional design has, in many instances, failed to produce the productivity gains anticipated for business, particularly in its ‘ white collar’ sectors. That is, at the same time as being fundamentally a method for changing the organization, implicitly at least, BPM problematizes and challenges orthodox approaches to systems design. BPM proponents make a distance from the modeling activities related with traditional design by arguing that:

“ All these techniques come from the computer world. It is as though we learned to think in a way that works for computer systems, and we realized we could apply the same way of thinking to describe an organization...we find this unacceptable...we shall introduce... the basis for a modelling technique for people, not machines”. (Jacobson et al. 1995: 36)

Elzinga et al. (1995) observed that numerous companies are engaged in assessing ways to develop their productivity, product quality, and operations. They found that Business Process Management is a new area of such improvements. BPM can be any planned approach used to analyze and persistently improve fundamental activities, such as manufacturing,

marketing, communications, and other main elements of a company's operation.

### BPM and Implementations

BPM is a means by which an enterprise's 'Quality' programme (e. g. TQM) is implemented. A part of BPM is the recognition of CSFs to facilitate an enterprise to focus on its vision, mission and goals. The statements of the enterprise's vision, mission and goals are essential to promulgate and must be made widely known to the enterprise's employees as the guiding principles for the enterprise.

Jenster (1987) introduced a strategy planning and strategic control process that is firmly integrated with the firm's information system. The way is used for developing, monitoring and assimilating critical information into effective strategic management decision support. The CSFs clearly and briefly communicate critical elements of the strategy to members of the organization. More significant, the CSFs direct the attention of key managers to focus on the vital premises of the firm's strategy.

Shriberg et al. (1997) described how the BPM method can be used as a tool for strategy execution. This technique describes CSFs as the primary step towards strategic execution. These few factors should be executed with excellence to gain and protract competitive advantage. Once CSFs (or driving forces or core competencies) have been identified, the next step in BPM is to widen performance measures for the CSFs. CSFs specify to the firm what has to be done to attain goals. Performance measures determine how well the firm should perform and whether it has been successful.

Lots of authors suggest that CSFs can be used in an organization's planning function. Additionally, they can be used in increasing strategic plans, implementing a plan, helping managers attain high performance, managing resources and monitoring a corporation's activities (Ferguson and Dickinson1984).

George Eckes (2001) illustrates key elements of Business Process Management are:

1. Creation and agreement of strategic business objectives.
2. Creation of core, key sub- and enabling processes.
3. Identification of process owners.
4. Creation and validation of the key measures of effectiveness and efficiency for each process (also known as measurement “dashboards”).
5. Collection of data on agreed dashboards.
6. Creation of project selection criteria.
7. Using the project selection criteria for project selection.
8. Continual management of the processes to achieve strategic objectives of the organization.

According to Hammer and Champy (1993 p. 35) “ 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.

They further go on to suggest that business processes

correspond to natural business activities, but they are often fragmented and obscured by the organisational structures. Processes are invisible and

unnamed because people think about the individual departments, not the process with which all of them are involved”.

(1993: 118)

Giving examples, they suggest that the name given to a process ‘ must imply all the work that gets done between the start and the finish’, what they also call the ‘ state-change’.

One good instance of the design of a complete business process is the order completion system of a major American multinational. As order completion is the key process within the firm, the process is planned and monitored from the start—the number of times the phone rings—through implementation (checking the item in the catalogue, transmitting the order to the computer regulated delivery belt, picking and packing) to delivery.

Economic Conception of the ‘ Business Processes’

A desire to offer an economic conception of the term ‘ business processes, centering on two aspects. First, the term ‘ process’ entails a dynamic character, dealing with the activities and mechanisms by means of which outcomes are achieved rather than solely the outcomes themselves. And second, business processes are collections of activities which are not distinguishable by the normal organizational compartments of firms, but which may be dispersed amongst the functional units of the organization.

Briefly put, just as internalization is an option to the market in resource allocation, then the business processes are the inner counterpart of the market process. And insofar as the market process coincides with the

initiative of entrepreneurship (Kirzner 1979), then consider that the internal processes of firms are a facet of entrepreneurship.

Consider the nature of ‘activities’ within the firm and their relation to the conventional theory of the firm’s choice. The usual marginalize analysis is concerned with the outcomes of maximizing behavior, rather than with the processes through which choices are made and implemented.

Making choices often entails, as Nelson and Winter have pointed out (1982: 65-71), a process linking deliberation. Activities within firms involve the deliberations and information processing that is necessary for firms to decide the actions they will take and also to react to unfolding events as decisions are implemented. While orthodox analysis provides powerful propositions about nature of the choices which maximize a firm’s objective function, these are suitable only if the deliberative process has successfully discovered and implemented the most favorable choice.

The nature of these deliberative activities which allow firms to make and implement decisions are the generation and fusion of knowledge (tacit and explicit) and the collection and transmission of information and data concerning to that knowledge for the purpose of making choices and responding to relating events as these choices are implemented.

According to North

“ In fact, the real tasks of management are to plan and discover markets, to evaluate products and product techniques, and to manage energetically the actions of employees; these are all tasks in which there is uncertainty and in which investment in information must be acquired”

(North 1990: 77)

This process is entrepreneurial in character. In effect, entrepreneurship is a process concerned with discovering, developing and using opportunities for gains from trade.

As Casson has pointed out:

“ The key function of the entrepreneur—the one that can be regarded as defining his role—is to take significant decisions that are difficult to make”.

(Casson 1985b: 177-8)

By extension, the deliberative processes, those activities which take inputs and ‘ create’ outputs (cf. the quote from Hammer and Champy 1993), are entrepreneurship internalized within the firm.

A significant aspect of Hammer and Champy’s definition is that business processes comprise a collection of activities. As the division of labor within firms has often been described in the context of Adam Smith’s pin factory, it has been progressively more the case during the current century that there is a division of managerial labor. See, for example, Radner (1992). Certainly the division of managerial labor is a primary reason for the organisational problem within the firm (Radner 1992; Carter 1995).

Casson has suggested the term ‘ team entrepreneurship’ for the state in which no single individual possesses the requisite skill or capability to undertake all the difficult decisions (Casson 1985b: 184-6) and managerial, deliberative activities are shared among several individuals. The problem of



organizing business processes is the problem of organizing an entrepreneurial team.

Buckley and Carter 1996 suggested that there are three problems which must be overcome in the organizational design of a business process team. One arises from the allocation of information, when one member of the team can have access to knowledge or information that would aid another member. The second is organization, since there is frequently interaction or complementarity between actions that are the responsibility of different individuals. That is to say, as the choice made for one action can affect the value to the firm of the choice made for another action.

While activities are complementary, it may be significant to ensure that the deliberative choices are made mutually so as to optimize the generally gains from trade for the firm. The final problem is motivation: of ensuring that the individual members of the entrepreneurial team each perform their individual activities in pursuit of the shared interests of the team, rather than in their own individual interests. These organizational problems are mainly acute in a multinational firm, where team members are geographically separated and where they may also have differences in tacit knowledge and cultural background.

### Summary and Conclusion

In summary, the following economic conception of a business process: a set of complementary deliberative (entrepreneurial) choices linking the collection and synthesis of knowledge for the generation of gains from trade. High complementarity between activities provides a natural definition of the

activities which comprise a given process. (Hammer and Champy's). When complementarity is low between activities, then they are separable into distinct processes, for which coordination is less significant.

Thus in conclusion I should say that Business process is an internal focus for continuous improvement. The term process means any relationship, such as billing customers or issuing credit notes, that has an input, steps to follow, and output. A process is a blend of methods, materials, manpower, machinery, etc., which taken together produce a product or service.

All processes contain intrinsic variability and one approach to quality improvement is to progressively reduce variation, first by removing deviation due to special causes and then by driving down common cause variation, thus bringing the process under control and then improving its capability. Diverse statistical methods (e. g. histograms, Pareto analysis, control, charts, scatter diagram) are extensively used by quality managers and others for process improvement purposes (Kanji and Asher 1993).

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