

# Business Process as the Basis of the Process Approach in Enterprise Management

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## ABSTRACT

The quality of enterprise management can be increased through the usage of balanced system of process approach. Business processes are inherent to any organization. Management accounting for each business process allows to conduct factor analysis when minimize labour costs and assess the their contribution to the implementation of the overall strategy. This article introduces the research of Business process used in enterprise management, delineates how to separate processes into groups, describes their characteristics, and differences between them.

**Keywords—** Business process, process approach, value stream, business process efficiency, classification

## I. INTRODUCTION

An alternative approach to the management of the organization is the process approach, which appeared in the 70s of the last century. The process approach is the usage of interrelated processes to manage the activities and resources of the organization . [1]

The basis of the process approach to enterprise management is a business process. Business process is a stable, purposeful set of interrelated activities of the organization, which, according to a certain technology, transforms inputs (resources) into outputs (process result, product, service) of value to the consumer . [2]

Processes are workflows that have their own boundaries, that is, the beginning and the end. For any process, these boundaries are set by the initial or primary inputs from which it starts. These inputs are opened by the primary process providers. The process ends with an output that outputs the result to the primary clients .[3]

The purpose of the scheme (Fig.1) presented below show the supplier and input data, the process itself and the customer with the corresponding output data. In addition, a feedback arrow from the customer to the supplier is drawn.

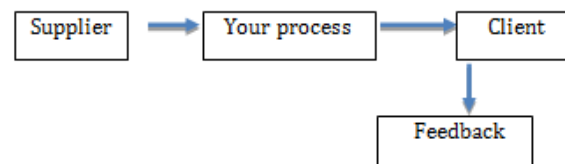


Figure 1. Business process diagram

## II. THE PURPOSE OF THE BUSINESS PROCESSES

There is no standard list of business processes, each organization must independently or with the help of invited experts develop their own business process, this contributes to a more accurate understanding of their own situation.

Description of business processes leads to results that allow deeper penetration into the phenomena. Connections and relationships that have been ignored or not recognized unexpectedly become the key to the effective functioning of the entire organization. In these circumstances, coordination of work becomes much more effective, as work flows from Department to Department with fewer errors, customer requirements are met in the shortest possible time. Customers are better recognized, conflicts are reduces between departments and delays between different stages of the process [4].

The main purpose of the process is to satisfy the requirements of the customers. There are two types of process clients: external and internal. External customers are consumers and customers of products outside of the company. Internal customers are consumers within a company and typically another functional Department or division [5].

## III. THE ADVANTAGES OF PROCESS APPROACH OVER THE FUNCTIONAL APPROACH

The process approach views a business as a set of processes — core business processes, controlling processes (setting goals) and supporting ones. Key business processes

are processes that directly make money. Supporting - processes, without which the main business processes cannot exist, these are the processes of providing various resources.

Each business process has:

1. Its specific goal, subordinate to the overall goal of the company;
2. An owner who can manage resources and is responsible for the execution of the process;
3. Resources;
4. Quality control system and error correction;
5. System of process indicators.

The complex of all actions converting materials and information into a finished product for the customer is called the value stream.

With the introduction of the process approach to management, the organization has the following capabilities [6]:

1. The process approach allows to optimize the control system, make it transparent for management and able to respond flexibly to changes in the environment.
2. The process approach allows to obtain and use a system of indicators and criteria for assessing the effectiveness of management at all stages of the production and management chain.
3. The process approach provides confidence among the co-founders of the organization that the existing management system is aimed at continuous improvement of efficiency and maximum consideration of the interests of stakeholders, since:
  - the system is based on measuring the performance of the organization, planning and achieving continuous improvement of performance;
  - the system is aimed at meeting the needs of persons interested in the activities of the organization: co-founders (investors), staff, suppliers, society.
4. Process management ensures the implementation of the process approach in the organization in accordance with the requirements of ISO 9000:2000 and obtaining the appropriate certificate.
5. The process approach and quality management system guarantee a certain order and responsibility for the development, coordination, approval and maintenance of documentation.
6. The basis of the process approach to management is fact-based decision-making. The presence of an information system in the organization allows owners of processes to obtain objective information for management in the event that it is built within a single system of management of the organization on the basis of the process approach.

The technology describing the business process makes all the operations of the company transparent and understandable, allows you to analyze operations and find

problems in them that lead to failures. The main thing is that business processes allow you to understand the interaction between disparate departments: what, to whom and for what they transmit or receive at each stage. As a result, the process approach greatly simplifies the adaptation of new employees and reduces the dependence of the company on the human factor. It is important that the process system simplifies the management of operating costs.

The presence of a well-developed system of business processes greatly simplifies the adjustment of the company's activities to meet the requirements of quality standards ISO 9000:2000. The company's compliance with ISO 9000:2000 standards becomes an important competitive advantage.

#### IV. ELABORATION OF BUSINESS PROCESSES

Consider the order of business process development. First, you need to create a project team of employees. Usually, one working team is not enough. Then, a temporary group of customers and suppliers of a particular business process is involved in its activities, which provide inputs, outputs and resources of the business process.

To understand how the system works and to preserve the experience gained, first record how the process actually works now. It should be remembered that the purpose of the description is to identify the links between the taken actions, rather than fixing the smallest details. Therefore, it is recommended to standardize the description of business processes using standard forms and process maps.

It is recommended to describe the business process by the method of successive approximations. After completing the description of the business process, need to work on its improvement (repeat the cycle of actions until an acceptable result to be obtained).

In the description of the business process, you can distinguish the following sections:

- The standard form of the business process;
- Business process map;
- Routes in a business process;
- Business process matrices;
- Business process flowcharts;
- Description of the joints of the business process;
- The secondary description of the business process;
- Detailed description of the business process;
- Business process documentation;
- Definition of business process indicators;
- Regulations of implementation of business process;

Let's look closer to the each stage.

### 1. Standard form of describing a business process

We recommend to use the standard sample of the business process description. This will allow to achieve a common approach to fixing the process by different people, which will then greatly facilitate the analysis of the processes.

### 2. Business process map

Business process map — a graphical representation of the business process in the form of a flowchart. Note that each participant in the business process has a separate column. Lines are time intervals. The issued card allows you to synchronize operations and trace the path of information between the company's divisions.

At the stage of mapping the business process, the employee performing this work does not require competence in the described procedures of the business process. It only records the knowledge of the performers, what and how they do. You need to get answers to the questions:

- What document completes the work cycle so that you can start over?
- To whom is this document transferred?
- What precedes it?
- Who is involved in this process inside and outside the organization?
- Who issues the task to start the process?

### Recommendation

When mapping a business process, use the popular 5W1H question formula. In short, it's 5 questions W:

- Who? (Who performs this operation?)
- Why? (Why or why is this operation performed?)
- What? (What is this operation?)
- When? (When should this operation be performed?)
- Where? (Where is the operation performed?)

### And one question H

- How? (How this operation is performed? Is it possible to do it differently or make improvements?).

If the map turns out to be too complicated — it is a signal that there is no proper sequence in the management of the organization.

### 3. Routes in a business process

In real business processes often involves several divisions of the enterprise. They need to be assigned roles in the process. In addition, there are branching and parallel actions. Therefore, the representation in the form of routes is very convenient. Routes give us a logistic scheme of the process — the movement of materials, people, money and information flows. Flowcharts are used to decipher the logic of command actions.

### 4. Business process matrices

The matrix (table) of the analysis of the processes interaction allows to allocate the most important business processes, to establish their interrelation and to estimate degree of influence of processes on functioning of QMS.

### 5. Drawing up a flowchart of the business process

The flowchart of the process is a clear diagram of the entire chain of relationships between all participants in the business process (consumers, suppliers and performers). In the process of drawing up a flowchart questions are raised:

- Is the value of this business process comparable to the cost of its implementation?
- How integrated is it with other business processes?
- Can errors in this business process be detected immediately?
- What has been done to improve and ensure the quality of this business process?

### 6. Description joints business processes

The most difficult thing to describe the activities of the enterprise at the junctures of business processes. Agreement between the owners of the processes is sometimes very difficult to obtain.

### Recommendation

First, make a description of the outputs. Enter them in the register, then determine the performance indicators and the values you want to strive for. Describe the process of measuring these indicators. Consider moving from these to other performance indicators of interest to other users.

Then make a similar description of the inputs.

### 7. Supporting business process descriptions

As a subsidiary of the description used in the layout diagrams, Gantt charts, and network diagrams. The last two are useful for project management processes.

### 8. Detailed description of business processes

A detailed description of the business process can be in any convenient form for the enterprise, but should contain the main provisions:

- full name of the business process;
- business process code;
- definition of the business process, revealing its main content;
- the purpose of the business process;
- the owner of the business process who is responsible for;
- the long-term planning of the process;
- business process Manager responsible for the ongoing management of the process;
- business process standards;
- the inputs of the business process (flows coming from the outside and to be converted);

- the outputs of the business process (the conversion results);
- resources available to the business process;
- internal and external vendor business processes — input sources;
- business processes of consumers — users of the results of the business process under consideration;
- measured process parameters;
- the performance of the process.

### 9. Business process documentation

Business processes included in the QMS system are subject to documentation. The most convenient form of description is the procedure. A business process can be described by one or more procedures, depending on the complexity. It is convenient to make a single view to describe all business processes.

### 10. Definition of business process indicators

The business process should be characterized by certain indicators, so that the process can be measured and evaluated its effectiveness. All indicators are included in 4 main groups:

- quality;
- execution time;
- number;
- cost.

In addition, it is customary to allocate special groups — a group of indicators of the business process, a group of requirements, a group to ensure the desired flow of the process, a group of recommendations.

The group of business process indicators shows the degree of achievement of the goal.

The group of requirements includes:

- human resources;
- infrastructure;
- conditions of the production environment.

Group to ensure the desired flow of the process:

- information;
- instructions for work;
- time.

Recommendations group:

- finance;
- logistics;
- suppliers;
- partners, etc.

### 11. Regulations of the business process implementation

It is advisable to draw up large business processes in the form of a separate document "Regulations of the business process implementation". Other business processes can be arranged in the form of Department regulations and job descriptions.

The regulations should include requirements to ensure compliance with the Shewhart-Deming cycle:

- definition of planned business process indicators for the next period;
- analysis and documentation of deviations from the normal course of the process by the business process owner;
- analysis of the effectiveness of corrective actions;
- reporting to senior management. [5]

Development and description of business processes is the first step towards QMS implementation at the enterprise. Ahead — a constant and painstaking work to bring them to all staff, analysis and, if necessary, the introduction of corrective actions.

## V. PROCESS APPROACH CLASSIFICATION AND RESULTS

In any organization there are both main and auxiliary processes. The main processes are the current activities of the company, the result of which is the production of outputs required by an external client. Support processes support core processes. It should be noted that the division of processes into basic and auxiliary is conditional. For example, the process of delivering the goods to the buyer and pre-sales preparation can be considered by the organization as an auxiliary, but it will add value to the process for the client.

The criterion for identifying a support process may be the use of the results of the process by many functional units and processes. A business process is a collection of interrelated activities or tasks aimed at creating a specific product or service for consumers. Flowcharts of business processes are used as a graphical description of the activity. Although business process is a new term that entered into the theory and practice of management only in the 1990s of the last century, descriptions of business processes have been known for a long time. The first description of the business process was given by Adam Smith in his famous example of a needle manufactory. However, after economic science began to pay less attention to the progress of the division of labor, interest in the description of business processes decreased significantly.

The new growth of interest in the problems of business processes was associated with the introduction of information systems. An important prerequisite for the successful implementation of information systems was the availability of a qualitative description of the operations to be automated, as well as processed data. Therefore, the earlier IDEF0 and IDEF1X models were essentially descriptions of business processes. However, this description described only specific functions and data, but not the requirements for quantitative, qualitative and cost characteristics of the process as a whole.

A business process is a set of different actions that transform a series of data input into a series of data output (goods or services) for another person or process, using people and equipment. We are all busy with processes and at different times play the role of the client, the supplier.

There are three types of business processes:

1. Business processes that control the functioning of the system. An example of the management process is corporate governance and strategic management.
2. Operational - business processes that make up the core business of the company and create the main revenue stream. Examples of operational business processes are procurement, manufacturing, marketing, sales.
3. Supporting business processes that serve the core business. Examples of business processes supporting accounting, recruitment, technical support, analysis of business operations (Fig.2).

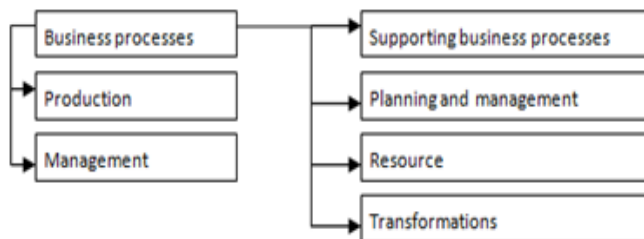


Figure 2. Classification of business processes

The business process begins with customer demand and ends with customer satisfaction. Process-oriented organizations try to eliminate barriers and delays that arise at the junction of two different divisions of the organization when performing one business process. A business process can be decomposed into several sub-processes, procedures, and functions that have their own attributes, but also aim to achieve the goal of the main business process. This business process analysis typically involves mapping the business process and its sub-processes that are spaced between certain levels of activity. Business processes should be designed to create value and value for consumers and eliminate any unnecessary

activities. At the output of properly constructed business processes, the cost-effectiveness (lower cost of production of goods or services) increases for the consumer.

## VI. CONCLUSION

Thus, a business process is a system of sequential, purposeful and regulated activities in which the inputs of the process are converted into outputs, i.e. the results of the process that are of value to consumers, through the control action and with the help of resources. It can be concluded that the use of the process approach is appropriate and relevant at all stages of development of the enterprise, from small organizations to network structures. At the same time, both the construction of new business processes and the optimization of existing ones require a number of special approaches, as well as a qualitative analysis of the current situation in conjunction with the strategic and tactical goals and objectives of the enterprise.

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