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## RESEARCH ON THE IMPACT OF BUSINESS PROCESS MANAGEMENT ON THE SUCCESS OF COMPANIES IN SERBIA

Milan D Ilić<sup>1\*</sup>, Snežana Urošević<sup>2</sup>, Milovan Vuković<sup>2</sup>

<sup>1</sup> Serbian Armed Forces, Land Army, 69. Logistic battalion, Serbia; <sup>2</sup>University of Belgrade, Technical Faculty in Bor, Serbia;

**Abstract:** The subject of research in this paper is determining the maturity of companies in terms of business success in Serbia and their understanding of business processes. The objectives of the research have defined how employees in companies understand business processes and whether employees are divided into process teams where the owner of the process is clearly defined. The survey was conducted in 73 companies in Serbia, where the results were obtained through the survey method, after which an analysis of the state of understanding of business processes was carried out. The survey covers state and private enterprises, i.e. small, medium and large enterprises. The obtained results tell us that there is a culture of understanding and applying management processes, but that some employees in the organization in lower positions in the company still do not sufficiently understand or apply them.

**Keywords:** The owner of the process, business teams, Poll

### 1. INTRODUCTION

In today's global economy, many companies are looking for ways to increase business efficiency and at the same time reduce operating costs. By applying an adequate model for managing business processes, it is possible to reduce production costs, improve work of organization and increase profits. Process orientation helps companies to better define and accept the owner of the process, terms in the process as well as increased productivity of the output product.

The importance of process orientation is best reflected by the conclusion of the consulting company Gartner: "Business process management wins the triple crown: to save time, to save money and to add value" (Bosilj Vukšić, et al., 2008). It must be mentioned that with the introduction of process organization, a new so-called process management is created and a new role arises in the organization, and that is the owner of the process.

Business process management refers to a modern managerial discipline that puts processes at the center of consideration. Building business processes is a complex and responsible task of the management of any organization, regardless of its activity or size (Drljača, 2003). Within the spectrum of different levels of decision-making, business process design represents the first dimension of business process management and is traditionally considered a strategic issue.

Typical examples of strategic decisions relevant from the point of view of business process management are decisions on the restructuring of business processes, on the

\* Corresponding author: lanemts83@hotmail.com

organization to be involved in the execution of business processes (with outsourcing as a strategic alternative), as well as decisions on financial, logistical, quality goals and other business process objectives (Reiers, 2003). Process-oriented organizations manage processes and continuously improve their core processes in relation to added value for consumers (Hrabula et al., 2017).

## 2. DEFINITION OF BUSINESS PROCESSES

A process is a series of actions, changes, or functions that produce a particular result. There is no single definition of a business process and depends on the context in which it is used. A business process is an activity or set of activities or operations that execute a specific objective of an organization. In business processes, after processing input data, we get a shared output or product. Each organization can have different business processes depending on the spectrum. From the aspect of organizational structure, a business process is a chain of activities that contributes to the realization of the business goal of the enterprise by combining technology, resources, production methods and people.

Understanding and defining the basic business characteristics according to Bosilj Vukšić et al. (2008) are as follows:

- Every process has a purpose,
- Each process has an owner,
- Every process has a beginning and an ending,
- The inputs come in, and the outputs come out,
- The process is composed of sequentially feasible activities,
- Based on the input and output of the process, the success of the process is easily determined,
- Improving the process is inevitable.

The processes represent the basis for the design and establishment of new organizational systems, consideration of the level of organization of existing organizational systems and its increase, solving problems of organizational systems in time and development of parts of organizational systems (Radovic et al., others 2012). The basic model of the process is in the following picture.

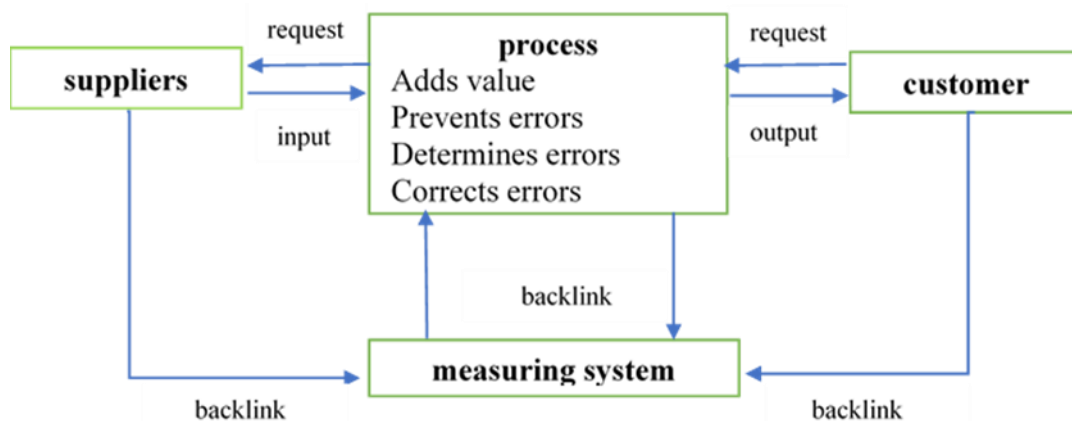


Figure 1. Basic process model (Hernaus, 2016)

According to Figure 1, it can be concluded that the basic role of the process is the creation of value, after which it is carried out to determine and prevent the occurrence of errors. For every process, there is a measurement system that measures its success. Process input is

represented by suppliers, while at output from the process are customers. Customer satisfaction is measured and based on the results, the process is influenced.

Just as there are different definitions of the process, there are different divisions. Author Melan (Melan, 1992) divides the processes into production and service, according to the subject of the work. Rentzhog (Rentzhog, 2000) emphasizes the division into base and supportive according to whether these are basic processes or processes that provide support. According to the frequency, the processes can be daily, intermittent and very rare (Radović et al., 2012). In relation to the state and significance of the process according to current goals, processes can be critical, crucial and priority (Radović et al., 2012).

It must be noted that business process management has found its primary role in manufacturing organizations, followed by fewer service-focused organizations focusing on their business processes.

A group of authors (Vergidis et al., 2008) examined the impact of process orientation on the business practices of companies. Research has shown that although in theory numerous studies deal with the use of sophisticated techniques and tools for business process management, in practice this is not the case. Companies use simpler tools to manage processes because they are still not sufficiently convinced of the positive societies of process orientation. The solution is to find a method for managing business processes that would be convenient to use and show clear results.

Authors from Japan and Singapore (Tang et al., 2013) investigated the impact of process orientation on the innovation performance of organizations. Based on the conducted research, a positive relationship between process orientation and innovation performance of companies was confirmed. Of course, to achieve positive results of innovation performance, it is not enough just to define the process, it also requires strong cross-functional cooperation

When it comes to the process maturity of companies authors from Slovenia and Croatia (Bosilj Vukšić et al., 2010; Vlahović et al., 2010) explored the refractive points in which companies move from one level of maturity to another. According to the results of the research, the transition from a lower to a high level of process orientation comes with the introduction of the role of process owner. Companies must strive to improve their employees in order to make it easier for them to understand the reasons for introducing process orientation and their role as an individual in the entire process.

### **3. THE CONCEPT OF BUSINESS PROCESS MANAGEMENT**

The business of companies in Serbia, as well as in the world, is under enormous pressure from great competition, a rapidly changing business environment and increasingly demanding customers.

All these pressures have created an interest in analyzing how business can become more flexible and effective. Each organization is defined by a lot of business processes that describe the way the organization conducts its business. Some processes are crucial to an organization's operations and make it a comparative advantage. Some are not so crucial, but they are still essential for its functioning. Business processes are essentially the nervous system of any company and therefore it is important to manage them.

Business process management combines a managerial approach with appropriate technology to improve the performance of the enterprise. Business Process Management (BPM) is an integral part of a business based on shaping, measuring, analyzing, improving and managing processes. Business process management covers the entire process lifecycle: from defining – modeling – performing - analyzing and optimizing processes (Figure 2).

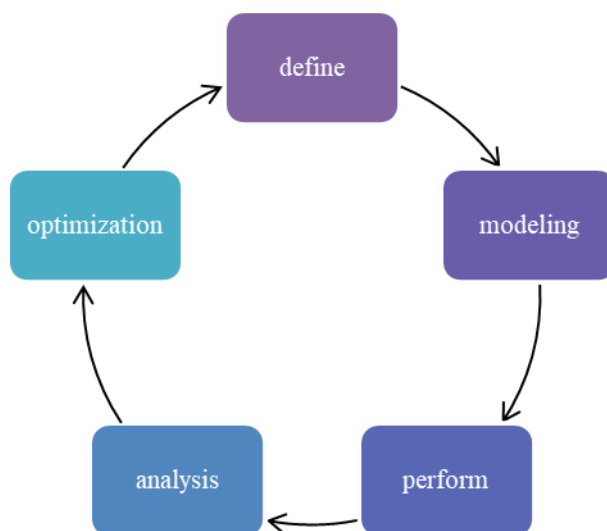


Figure 2. Business process management lifecycle (Becker et al., 2003)

The first step in managing business processes is to define business processes. Business process owners have the most important role at this stage because they have business requirements and available resources. The next stage is business process modeling and it involves gathering enough detail to understand how the process works. The business process within the company is then implemented and carried out by monitoring, where key performance indicators (KPI) are monitored. The collected data is analyzed to identify unexpected behavior, non-optimized flows, and based on this process is optimized.

### 3.1. Process orientation

There are many definitions of process orientation - Business Process Orientation (BPO). Bosilj Vukšić, Hernaus and Kovačić, in the book *Business Process Management - Organizational and Information Approach*, write how the term process orientation serves to describe an organization that emphasizes the holistic processes by which it manages the entire value chain of a product or service. Davenport describes process orientation as an integral part of structure, focus, measurement, ownership, and consumers (McCormack and Johnson, 2001). It is important to emphasize:

- how process orientation is not synonymous with process organizational structure. It represents an understanding of business and is only the first step towards a process-oriented organizational structure,
- process orientation and process organizational structure must not be confused with business process reengineering (BPR). Process orientation is the most important element of business process reengineering (Bosilj Vukšić et al., 2008), and unlike BPR, a process-oriented organization puts emphasis on global, social and technical aspects of human dynamics more than on technology, business tools and the technique itself – at the company level.

Increasing competitiveness in the market requires organizations to innovate to reduce the cost of doing business and meet the needs of consumers. The aim of introducing the concept of business process management is to optimize business processes while respecting the available resources. If the process orientation is taken into account, it is inevitable to adopt the consumer and his needs into the center of business. It can be said that the processes are structures used to

create added value for consumers (Lemańska-Majdzik and Okręglička, 2015). Singh (2012) points out that organizations should have fewer than 15 key processes, which depends on the organization's activities. The processes should be as complex as possible. Process orientation shifts the focus from vertical management to horizontal management of business activities. The critical point of success of the process orientation is in the effort to change the attitude of employees towards hierarchy and functions so that they can pay all attention to processes and consumers (Childe et al., 1994).

Lindsay et al. (2003) defines changing company goals from the 1960s to the 21st century as follows:

- In the 1960s, the focus was on quantity,
- In the 1970s the focus was on cost,
- In the 1980s, the focus was on quality,
- In the 1990s, the focus was on the time needed to produce,
- In the 21st century, the focus is on how to provide more to consumers.

The development of the process approach has been observed since the beginning of the use of the term "system" in system theory, where each organization is seen as a subsystem that is part of a larger system – the economy. Such a principle is also used in process orientation where system theory is recognized in the part of process design where every activity, every employee and every resource is an indispensable part of the process as a larger system. Furthermore, Porter (2008) defined a company's success by gaining competitive advantage using the value chain concept. The goal of the Porter value chain is to determine which activities create a competitive advantage in order to keep them going, while activities that do not add value are thrown out of the chain. TQM – Total Quality Management (Ahire et al., 1996) is the next stage of the development of the process approach. TQM is product quality management where errors are minimized and the entire organization, all employees are responsible for achieving the set quality. After that, there is a reengineering of business processes (Davenport, 1993) which represents a radical change in the business processes of the organization. Due to the high rate of inefficient reengineering, it is less used today. In the end, a new 6 Sigma philosophy (Antony, 2002) aims to reduce the number of product defects to 3.4 errors per million products. This philosophy is an extension of the TQM philosophy.

The process approach is applied in a process (horizontal) organization. A horizontal organization is an organization that directs its activities towards processes that create key added value for consumers. Horizontal organization is seen as a set of processes that require one or more inputs that create outputs for consumers.

Process diagrams show what employees are doing, step by step, according to the activities of the process. It should be borne in mind that process orientation and horizontal organization has its advantages and disadvantages. The advantages are shortening the duration of the process and more economical shaping of business processes, teamwork versus individual work, general knowledge of employees compared to narrowly specialized (this achieves a better insight into the business process and employees clearly see their roles in it) (Bosilj Vukšić et al., 2008). Whereas disadvantages are possible if key processes are not determined correctly, i.e. if the company's key processes do not overlap with consumer requirements. Another important disadvantage arises in the issue of management where managers no longer have authority over employees but their relationship is based on teamwork, the manager is seen as a coach (Bosilj Vukšić et al., 2008). Rentzhog, (2000) stresses the importance of information technology for a process-oriented organization because companies must keep pace with the development of technology if they want to achieve a competitive advantage.

The differences in characteristics between a traditional and process-oriented enterprise are numerous. It can be pointed out that due to the orientation to business functions, traditionally the company does not have a clearly defined picture of the entire process, is poorly focused on customers, there are unnecessary bottlenecks and barriers, poor communication and rivalry between organizational units, and conflicting goals and actions between different departments. In process-oriented companies, process focus ensures better focus on the customer, by establishing process boundaries, then customers and process suppliers, better communication is achieved, determining process owners who are responsible for the process avoids traditional division of responsibilities (Glavan, 2011). Although most existing organizations are built on the basis of a functional organizational structure, today a shift towards shallower, more horizontally oriented structures is necessary. Functions are the main building block in the functional organizational structure, and business processes take over the main role in the process organizational form. Functions still exist in a process-oriented organization, but their purpose is different, they try to meet the needs of business processes that create value (Bosilj Vukšić et al., 2008). Process-oriented organization is much superior to traditional, vertical organization and functionally oriented management, in this regard. That is why the need for transformation towards a process-oriented company is emphasized. Realizes that in the future the company will be able to gain a competitive advantage more easily if the business focus, structural elements, performance measurement systems, reward and advancement systems, communication and culture respond to the process approach (Kahrović, 2011).

#### **4. METHODOLOGY AND RESEARCH RESULTS**

Modern business trends, fierce competition and a turbulent environment are the main reasons for improving business processes and creating a competitive advantage. Factors such as increased operating costs, quality of products and services require management to introduce changes in the way work is organized, i.e. the implementation of process orientation in business. The idea of process orientation is not new. The goal of process orientation is to look at the organization from the consumer's perspective, to define which activities create added value products that meet their real needs. The purpose of process orientation is not to define a business process and those complete all the work because it becomes outdated over time and becomes bad. Once defined, the process should be subject to change and constantly reviewed by experts. Process changes should accompany changing consumer needs and should constantly look for opportunities for improvement. Every activity in an organization is part of a process, belonging to a process is defined according to the process hierarchy. Belonging to processes is a very important element from the point of view of employees because it accurately knows their role in the entire business system.

The purpose of the paper is to emphasize the importance of business process management in order to gain business excellence, and one of the main goals is to consider the impact of business process management on business excellence and to consider the level of process maturity of organizations in Serbia by examining the process orientation of these companies. The aim of the research is also reflected in the consideration of dimensions and highlighting weak links within dimensions that are not met by organizations operating in the territory of Serbia.

The subject of this scientific work will be the examination of the process maturity of companies in the Republic of Serbia. The survey included 73 organizations. The survey questionnaire, which was formed as a research instrument, was sent to the addresses of organizations operating in the territory of Serbia. The contact details of the companies were

found through the Business Directory of Serbia, the website [www.preduzetniksam.rs](http://www.preduzetniksam.rs), [www.privredni-imenik.com](http://www.privredni-imenik.com) and web presentations, because it was assumed that they were the most competent to fill them out.

The survey sample included 20 large, 50 medium and 3 small company and the survey consisted of two parts (A, B).

The first part of the survey (A) contained general questions or demographic issues that served as a basis for determining the characteristics of respondents and it is given in Table 1 with results of survey.

Table 1. Data based on the answers of respondents from the covered organizations to part of the general questions

Category		$\Sigma(73)$	
		number	percentage
1. The main activity of the organization:	Agriculture, forestry and fishing	1	1.37
	Sale of screw goods	10	13.70
	Construction works services	5	6.85
	Sale of building materials	5	6.85
	Sale of protective equipment	7	9.58
	Wholesale and retail trade, maintenance of motor vehicles	13	17.81
	Transport and storage	3	4.11
	Sale of rubber products	10	13.70
	Computer equipment maintenance services	2	2.74
	Wholesale and retail trade, sale of spare parts for motor vehicles	10	13.70
	Professional, scientific and technical activities	3	4.11
	Sales of confectionery products	2	2.73
	Health	2	2.73
2. The average number of employees:	Up to 50 employees	20	27.39
	Up to 250 employees	50	68.50
	More than 250 employees	3	4.11
3. The position of the examiner in organization:	Management	42	57.52
	Purchase	7	9.58
	Sales	10	13.70
	Production	0	0
	Maintenance Service	14	19.20
4. Years of work experience:	Up to 5 years	3	4.11
	From 5 to 10 years	20	27.39

	From 10 to 20 years	<b>30</b>	<b>41.10</b>
	Over 20 years	<b>20</b>	<b>27.39</b>
5. Gender of respondents in the organization:	Male	<b>45</b>	<b>61.64</b>
	Female	<b>28</b>	<b>38.36</b>
6. Headquarters of the organization in the Republic of Serbia:	Vojvodina	<b>10</b>	<b>13.70</b>
	Belgrade	<b>35</b>	<b>47.94</b>
	Sumadija and Western Serbia	<b>12</b>	<b>16.44</b>
	Southern and Eastern Serbia	<b>16</b>	<b>21.92</b>

Looking at the results of the survey, according to the number of answers, the most represented headquarters of the companies are located in Belgrade (47.94%), followed by Southern and Eastern Serbia (21.92%), Šumadija and Western Serbia (16.44%) and finally Vojvodina (13.70%).

The survey questionnaire was filled out mainly by persons who hold the position of management in companies (57.52%), followed by sales (13.7%) and procurement (9.58%). There were no respondents working in production.

61.64% of respondents are men, while 38.36% are women who work in jobs where the survey was conducted. In terms of work experience, most of those who have spent 10 to 20 years in companies (41.10%), while the least of those up to 5 years of work experience (4.11%). Equally represented in the percentage of 27.39 persons who are from 5 to 10 years of service, or over 20 years of work experience.

In the second part of the survey (B), there were questions that were tasked with determining the understanding of business processes and the direction of the organization and the individual in them, which are given in Table 2.

Table 2. Division of a group of questions from the survey (B)

	<b>Number of questions</b>
1. GROUP OF QUESTION – HUMAN RESOURCES MANAGEMENT	3
2. GROUP OF QUESTIONS – STRATEGY AND POLICY OF THE COMPANY	3
3. GROUP OF QUESTIONS – PROCEDURAL ORGANIZATIONAL STRUCTURE	3
4. GROUP OF QUESTIONS – PROCESS ORIENTATION	3
5. GROUP OF QUESTIONS – CUSTOMER FOCUS	3
6. GROUP OF QUESTIONS – PROCESSES IN RELATION TO SUPPLIERS	3

For the evaluation of questionnaires, a scale for process orientation was used with grades from 1 to 5 (1-not at all true, 2- not true, 3- is neither true nor false, 4- true, 5- completely true).

The data collected was processed with the help of Excel tables. The analysis and processing of data from the survey leads to next conclusions:

When it comes to the field of HUMAN RESOURCES MANAGEMENT (grade 4.06 – correct), it can be concluded that employees can be counted on to engage and achieve the set

goals of business processes. To constantly learn and to receive stimulation to meet the work norm.

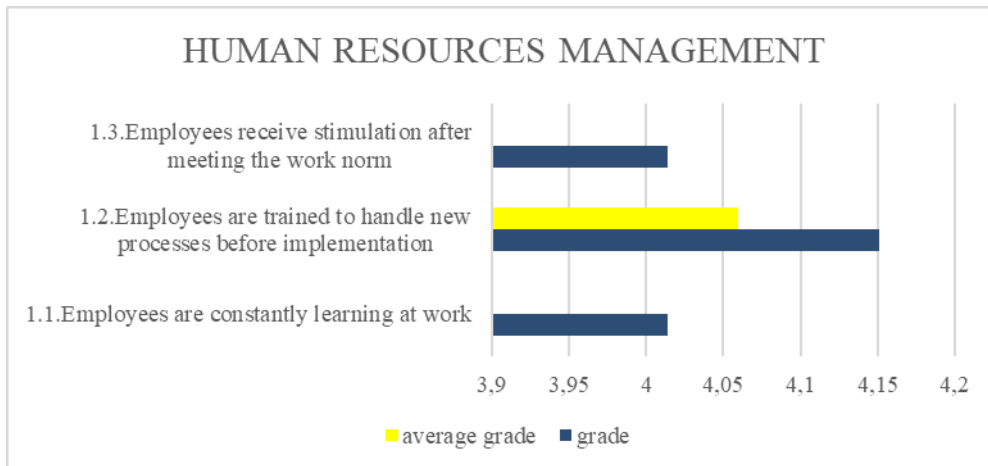


Chart 1. Human resources management

From the chart it can be concluded that employees in companies gave the highest rating to questions in the field of STRATEGY AND POLICY OF THE COMPANY (grade 4.62 – completely true) because the largest number of respondents was in the position of manager and at the same time it was noted that top management is actively involved and that it constantly monitors the improvement of business processes.

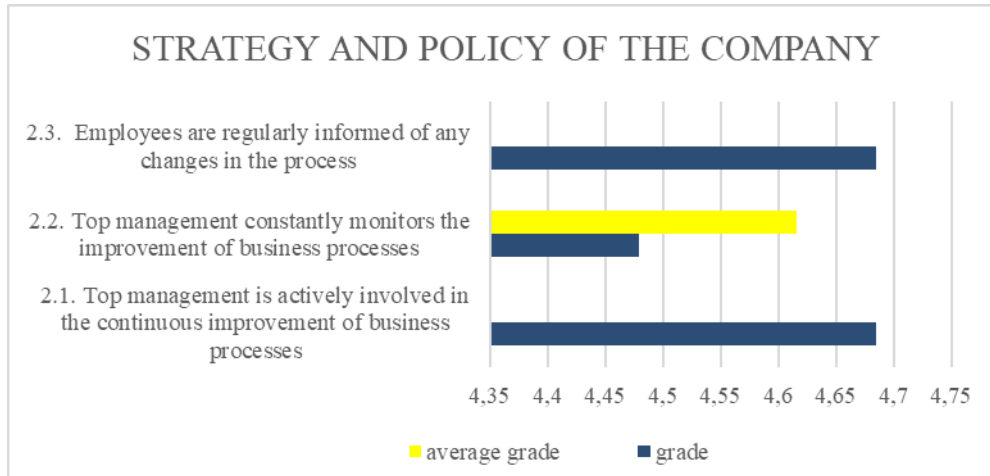


Chart 2. Strategy and policy of the company

Also, from Charts it can be seen that the PROCESS ORGANIZATIONAL STRUCTURE (grade 2.32 – not true) and PROCESS ORIENTATION (grade 2.33 – not true) are not yet clearly defined in medium-sized enterprises in Serbia and that employees do not understand who owns the process, the entrance – the way out, as well as the fact that business processes are not clearly defined. The only place where the claims are true is in a subgroup of PROCESS ORIENTATION issues, where the employee understands the work as a series of related processes.

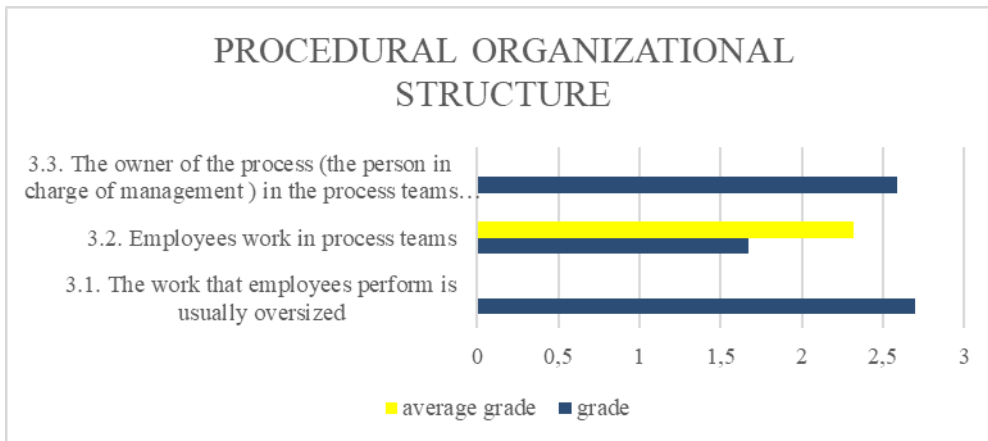


Chart 3. Procedural organizational structure

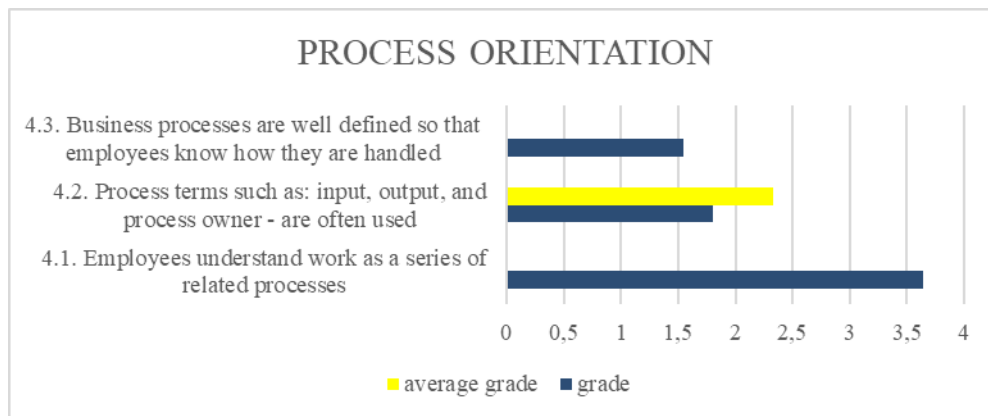


Chart 4. Process orientation

When it comes to the area of FOCUS ON CUSTOMER (grade 3.97 – true), it has been concluded that customer satisfaction is often and systematically evaluated and that customer feedback is used to improve processes in the organization.

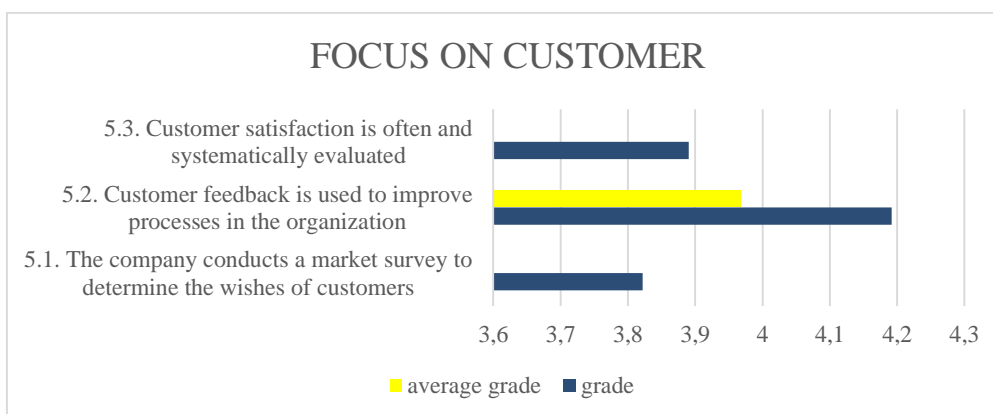


Chart 5. Focus on customer

Regarding the field of PROCESSES IN RELATION TO SUPPLIERS (grade 4.16 – true) it can be concluded that the company has long-term cooperation with clients and that at the same time they work closely together to improve the process.

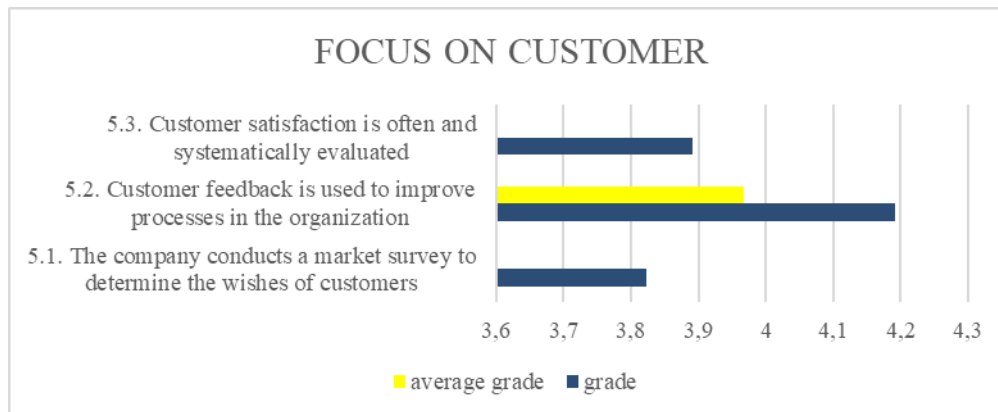


Chart 6. Processes in relation to suppliers

## 5. CONCLUSION

This paper represents a starting point in order to show the real state of process maturity in organizations in the Republic of Serbia. A literature search concluded that the topic of business process management is a poorly elaborated topic among the works of Serbian researchers. A much larger number of foreign works offer solutions from this practice. The issue of business process management has great potential and conclusions derived from research on this issue can significantly contribute in practice. The questionnaire was formed to conduct research on the aforementioned issues within micro, small, medium and large enterprises.

After conducting research in Serbia, where the focus was on medium-sized enterprises, awareness of business process management is still not clearly defined by production workers, unlike company management. In order for companies in Serbia to become as competitive as possible, it is necessary to constantly condition the acquired knowledge of employees. Organize or send employees to seminars in order to improve performance and create awareness of business process management, so that they become a daily practice and part of the business policy of all companies in Serbia.

The results of this scientific research work will contribute to the development of research representation of the concept of process orientation in the business practice of the Republic of Serbia. By determining the real situation, it is possible to determine what are the current shortcomings of business practices and propose measures to introduce improvements.

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