

Setting-Up a Business Process-Support Organization

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1. ABSTRACT

This paper reflects on the organizational consequences when introducing Business Process Management methodologies in the organization. As Business Process Management (BPM) is a stage by stage approach of continuous improvement, it will influence the way integration efforts are organized in an optimal way. This paper considers the importance of centralized and decentralized governed integration efforts, and the evolving balance between them. A prescriptive model is suggested and followed by a validation, based on literature review and case study research.

2. INTRODUCTION

In contemporary organizations we see more often that several methodologies, combined in the general term *Business Process Management* (BPM), are studied and applied in order to gain efficiency and effectiveness, and with that competitive advantage (Davenport, 1993; Rummier & Brache, 1995; Hammer, 1996). BPM focuses on integrating and cross-linking the organization's departments, business units, sub-groups, etc. by actively managing the organization through defining end-to-end value creating processes (Paul Harmon, 2003). Research has proven that the development of a business process oriented view in organizations to integrate the differentiated and fragmented subsystems, leads to positive outcomes (McCormack, 2001).

Evolutions in the business needs such as the creation of more product lines, bigger geographical markets, a larger number of functional specializations, etc. necessitate more differentiation of organizations into sub-units and -systems. By differentiating the organization in homogeneous sub-systems (business units, departments, specialists teams, etc.), the organization becomes more efficient in their collaboration with specific sub-environments (Lawrence and Lorsch, 1967; Galbraith, 1995). This rising necessity for differentiation, in combination with a more demanding customer, the development of global collaboration mechanisms and the growth of technology opportunities, induces more than ever increasing integration needs. In this, the success of the BPM movement, which is focusing on sustained integration, without diminishing the efficiency and effectiveness of homogeneous subsystems, can be situated.

The switch in the early nineties in popularity from Business Process Reengineering, with specific one-time process improvements as subject, to Business Process Management, with the focus on continuously improving business processes (Hammer, 1996; Davenport 1993) induces a more formalized set-up of this specific management function. Depending on difficulty and time required for certain management tasks, different integration levels can be distinguished, from informal and ad hoc collaboration (e.g. frequent meetings) to highly procedural mechanisms (e.g. obliged collaboration policies or integrated ICT-systems) (Galbraith, 1995). As organizations currently evolve to more sustainable and longer term integration, an important impact on the way integration efforts are managed, can be expected. For that reason organizations need insight in which integration efforts optimally impact the organizational performance. An important consideration here is the role of *centralized* versus *decentralized* integration efforts. *Centralized integration* focuses on integration efforts applicable to all organization's departments, sub-divisions, etc., while *decentralized integration* focuses on efforts that obtain integration on a lower level and based on a particular and well defined processes or sub-processes.

3. PROBLEM SETTING

This paper investigates the effect of integration efforts and the evolving balance between centralized and decentralized integration efforts. From own empirical case study research, the authors have seen that the relative balance between centralized and decentralized integration efforts varies for different organizations. Next to more traditional contingency variables, such as company size, environment, strategy, technology (Birkinshaw et al., 2002), the level of yet accomplished process integration, due to cumulative integration efforts, seems to influence the balance between central and decentralized integration.

4. RESEARCH METHODOLOGY

Based on empirical findings and related case study research a general prescriptive model is proposed (see figure 1). Conceptually, the *level of integration efforts* influences (1) the *impact on the organizational performance* and (2) the *balance between centralized and decentralized integration efforts*.

To measure the *level of integration efforts*, a survey, based on previous work of McCormack (2001) and Gemmel et al. (2006), was conducted in 20 organizations, each represented by a significant selection of employees. To have comparable data, the survey probes extensively for the presence of sector and industry independent process characteristics, which collectively indicate a certain 'state of maturity' in obtaining benefits from accomplished integration efforts. A distinction is made between specific organizational characteristics ('*organizational state of maturity*') and overall process characteristics, considered from different perspectives, i.e. customers, performance, strategy, suppliers, employees, technology, etc. (so called '*overall state of maturity*').

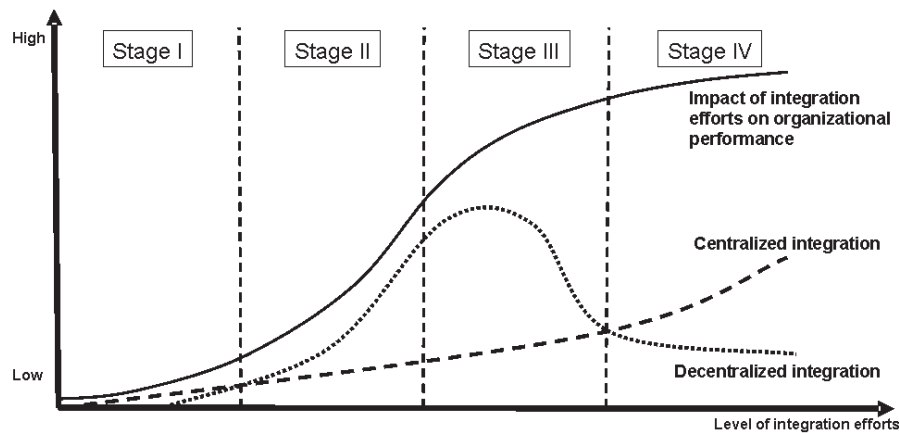
In addition to that, for each company semi-structured and peer checked interviews with several key persons in the organizations were conducted to gain insight in the present integration mechanisms. This is measured by means of total number of full-time equivalents (FTEs) dealing with process management, both centralized and decentralized.

5. A PRESCRIPTIVE MODEL ON INTEGRATION EFFORTS

Figure 1 describes three variables:

- **Impact of integration efforts on organizational performance:** In a strongly differentiated organization, there is an increasing need for compensating measures to encounter this differentiation with integration efforts. These efforts vary for each company and within each company over time in focus and size, depending on the accomplished benefits of previous integration efforts. In complex organizations these efforts have a positive impact on the organizational performance (Lawrence and Lorsch, 1967).
- **Centralized integration:** From empirical case study research the authors notice that for the execution of such centralized integration efforts, many organizations appoint a dedicated staff team with high-level responsibility, often called a '*business process office*' (BPO). Nevertheless the exact working modus, degree of control, empowerment and services provided by this central office vary from company to company, they share the central and company wide character. Other variants and names have been proposed in literature (Burlton 2001; Smith & Fingar, 2003; Kaplan & Norton, 2005)

Figure 1. Centralized and decentralized integration efforts, and their combined impact on the organizational performance



- **Decentralized integration:** For the execution of decentralized efforts in contemporary organizations, employees are more and more empowered to take up this responsibility. Specific process roles, such as process owner, process responsible, process facilitator, process coach, etc. are created. In addition complementary integration mechanisms are installed such as Process Improvement Teams (Harrington, 1991) and regular interdepartmental meetings.

Further the evolving role of both centralized and decentralized integration efforts will be discussed through 4 arbitrary stages, indicated on figure 1.

- In the first stage, mainly ad hoc initiatives to integrate differentiated departmental units are done on several levels, in an informal and discretionary way, for smaller and also quick-win type tasks (Galbraith, 1995).
- In the second stage, there is an emergence of centrally allocated initiatives with an impact on the organization as a whole, grown from previously installed and dispersed activities. To aggregate these initiatives consequently, a more formalized and high-level approach is required. In this stage a BPO is usually initiated to manage strategically linked integration tasks, such as process strategy formulation, definition of general process metrics, standardization of methodologies, etc. to analyze and redesign business processes.
- In the third stage, important centrally managed activities are set up to get the whole company involved in deploying a full-blown process oriented strategy, as it as it was initiated in stage 2. Centrally, the BPO takes up a more participating role to manage and deploy a full program of improvement projects enhancing on large scale the integration capabilities of the organization. Due to a large investment in centralized integration efforts, both the quick rise in the impact on the organizational performance, and the large volume of centralized integration efforts is explained. In this stage, the BPO influences and works together with some people more decentralized in the organization, who start taking up some responsibilities over certain (parts of the) processes.
- In the last stage, when costs for central integration efforts have become higher and when additional investments only give marginal results, the role of the BPO becomes more governing. Due to the improvement program deployed in stage 3, business process management has become a shared responsibility which is now more decentralized and dispersed throughout the whole organization. In this final stage the BPO takes a more coaching role with regard to methodologies, techniques and tools and manages the complete process knowledge repository.

6. FIRST RESEARCH FINDINGS AND DISCUSSION

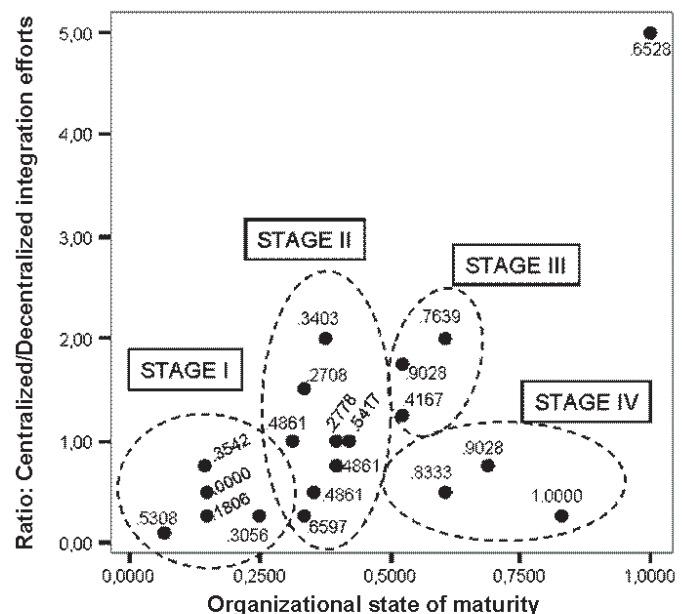
While the model in figure 1 has a more prescriptive character, figure 2 represents a descriptive situation comparing 20 different organizations, scattered graphically for two dimensions:

- The balance between centralized and decentralized integration, based on FTE allocations, shown as a *ratio: centralized over decentralized integration efforts*.
- The specific 'organizational state of maturity', calculated from the survey results based on the presence of specific organizational process characteristics.

Further for each organization, the 'overall state of maturity' is shown (score between 0 and 1), based on the presence of process characteristics in all relevant domains (see methodology).

The substantial difference between the prescriptive character of the model in figure 1 and the descriptive character of the representation in figure 2, forces the authors to make a distinction between on the one hand the organizations which are in a situation represented by the prescriptive model of figure 1, and on the other hand

Figure 1. Scatter plot (20 organizations) centralized/decentralized integration efforts versus the "organizational state of maturity"



organizations which can be classified as exceptions. To estimate the value of the model, a thorough case study analysis comparing exceptions with the 'main stream' organizations, based on their integration performance, is necessary. This to ensure that what the model prescribes really leads to 'good/best practice', while for the exceptions valid indications of a sub-optimal approach should exist.

From figure 2 the varying trend between centralized and decentralized integration efforts can be distinguished. Most organizations can be roughly classified in one of the 4 groups confirming the prescriptive model of figure 1. Most clearly are the groups validating stage I, III, and IV, while for stage II, the balance between centralized and decentralized integration efforts is less clear. Further in-depth research must reveal the variables causing variance between different cases, especially for cases currently classified as stage II.

One clear exception is the case in the right upper corner of figure 2. This company has the highest score concerning '*organizational state of maturity*'. And contrary to the prescriptive model, the relative amount of central steering is noteworthy higher than other companies. However it is noticeable that the 'overall state of maturity' is lower than any case classified in stage IV. This suggests that this organization's additional investments in centralized integration efforts have less marginal impact on the overall state of maturity. Therefore in order to obtain the optimal impact on organizational performance, a more balanced set of integration efforts also in other relevant domains, such as e.g. cultural and technological integration efforts, is proposed.

Also here further research must disclose more detailed insights in the actual contribution on the organizational performance of both specific and combinations of certain integration efforts.

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