THE ROLE OF ORGANIZATIONAL CULTURE AND HUMAN CAPITAL MANAGEMENT IN PROCESS ORGANIZATION

AGNIESZKA WOJTCZUK-TUREK

Warsaw School of Economics, POLAND
e-mail: awojtc@sgh.waw.pl

Received 15 February 2014
Accepted 13 November 2014

JEL classification Z13, J50, K20

Keywords business process management, organizational culture, human capital, human capital management

Abstract There are numerous factors which significantly influence effective realization of business processes. One of them is organizational culture, which forms a context within which employees display specific behaviors. Apart from cultural aspects, a significant role in process organizations is played by employees, as they do not only guarantee efficient realization of business processes but also secure the design and implementation of changes which facilitate the increase in company competitiveness. This fact is related to special demands in the sphere of HRM: the use of adequate practices within job design and diversified motivational systems for various employee groups. The key role in these processes is also played by managers who create the vision, formulate business goals, design processes and manage people. The aim of this article is to describe cultural and social aspects of business process management and indicate the role of human capital in process organization.

Introduction

People are listed in the six core elements of business process management (BPM), which include strategic alignment, governance, methods, information technology and culture (Rosemann and Brocke, 2010). As J. Jeston and J. Neils (2014) indicate: “at the end of the day, it is people that will make processes function effectively and efficiently, no matter how much processes are automated. If you do not get the people ‘on board’ with the project
and new processes, then they will find a way to ensure that the processes either do not work, or do not work efficiently”.

Companies particularly need employees who are able to meet the requirements related to functioning in a process organization. Indeed, as emphasized by P. Grajewski (2007), a process organization is fundamentally different from an organization where the management is based on classical formulas. According to the author (Grajewski, 2007: 170), these differences, among others, lie in: a) the implementation in the organization of principles of mutual relations between the supplier and the customer, which implies that the employees obtain the rights to negotiate the terms of co-operation with partners in business; b) collaborative nature of work; c) supporting the configuration of the process structure on the dominant criterion of internal and external customer; d) significant flattening of a power hierarchy.

These social aspects of the process organization imply undertaking some specific management actions aimed at optimum utilization of the competence potential of employees performing business processes, in the context of various roles, relationships, teamwork, as well as personal responsibility for results. At the same time, in order to better understand the actions of internal stakeholders of business process management (process owners, process participant, process analysts) it is necessary to analyze the organizational culture, which is a factor providing an explanation and a wide range of reference, exerting influence on various elements of the management process. The organizational culture is an important context for the expression of attitudes and organizational behaviors.

The aim of this article is to describe cultural and social aspects of business process management (BPM) and indicate the role of human capital in process organization.

Culture of the process organization

Although business process management (BPM) has been developed with an emphasis on adoption of information technology, there is a growing awareness that BPM requires a holistic organizational perspective since culture is often considered a key element in BPM practice (Brocke and Sinnl, 2011). Culture is in fact a factor exerting influence on various elements of the management process. Furthermore, it is a component of the social system, which manifests itself in the behaviors and products of these behaviors.

Thus, by carrying out analyses on the relationship between culture and BPM, it should be recognized that organizational culture: has a social character – it determines the system of interpersonal relations, it assumes an interpretation of reality which is common to all the participants, refers to common thinking, feeling, reacting, resulting that result from shared values and attitudes, manifests itself in the articulated values, specific behaviors, as well as in organizational symbols, myths and rituals.

As M. Rosemann and J. vom Brocke (2010) indicate, culture incorporates the collective values and beliefs in regards to the process-centered organization. Culture is about creating a facilitating environment that complements the various BPM initiatives. Changing values and beliefs is one of the most important aspects in any serious attempt to transform business performance. It is also emphasized that cultural resistance is a major cause of failures of BPM projects, which, in many cases, is due to lack of employee’s identification with the need to change or, generally, the thinking process. Hence, it is necessary to carry out in-depth research, which will enable to understand how shared values support organizational processes and how cultural aspects affect BPM.

An interesting example of the analysis of value – an essential component of organizational culture – in the context of supporting the objectives of BPM, is presented in the research that used the Delphi method, conducted by
The role of organizational culture and human capital management in process organization

A team of researchers T. Schmiedel, J. vom Brocke and J. Recker (2013). Experts from academia and practice, who participated in the study, answered this question: which organizational values do you consider directly supportive of achieving BPM objectives? On the basis of their definitions, they compared all values and mapped them to the four core values identified in the Delphi study (Schmiedel et al., 2013: 301): customer orientation (refers to the proactive and responsive attitude towards the needs of process output recipients), excellence (refers to the orientation towards continuous improvement and innovation to achieve superior process performance), responsibility (refers to the commitment to process objectives and the accountability for process decisions), teamwork (refers to the positive attitude towards cross-functional collaboration).

As emphasized by the authors of the study, the list of values, obtained in empirical studies, confirms the findings from the review of the literature. The four core values identified in Delphi study are vital and distinct elements of the so-called BPM culture concept. The indicated values directly relate to the assumptions underpinning the approach of BPM, that is taking the needs of customers into account, as the main criterion for the purpose of formulating business processes, focus on process improvement, focusing on the results of processes rather than tasks and taking responsibility for their results.

Other studies have shown that the importance of culture in generating success of BPM is related to two factors (Bandara, Alibabaei and Aghdasi, 2009 cited in Brocke and Sinnl, 2011): tendency for collaboration (e.g. visible in decentralized decision making) and readiness for change (e.g. comprising the rewarding and encouragement of creativity). These factors are important both in the context of efficient execution of processes and their improvement, and of reaction to changing customer needs. It has been repeatedly emphasized this is and important criterion in establishing business goals. Improving business processes and suggesting new solutions for products and services are not possible without changes being also as a response to the changing environment in which a company operates. Hence, acceptance and realization of cultural values, related to creativity and innovation (innovative culture), in organizational activities (Trompenaars, 2010) are an important aspect of the success of BPM. This, in turn, may require changes in culture, which will result in the fact that managers will ensure their employees understand the goals and meaning of current and new processes, accept them and modify unfavorable attitudes, e.g. towards new IT technologies (which are strong stimulators of development), as well as resistance to change. Moreover, an important direction in improving the process organization, in the context of the impact of culture on BPM, should also be organizational solutions that eliminate the occurrence of strong hierarchical structures or low degree of formalization and specialization, which are considered to be inhibitors of innovation. Another vital element, emphasized in the literature, is the matching fit, which is required between the overall approach to BPM and the organizational culture (Armistead and Machin, 1997).

Human capital and knowledge management in the business management context

Due to the nature of work in the process organizations, associated with multitasking, expanding the scope of operation in processes and, therefore, in tasks, designing and implementation of changes, that is improvements in response to changing customer needs, as well as to the need to support advanced IT technology, the need to manage knowledge and deliver high quality human capital become particularly important issues. It consists largely of so-called knowledge workers. As T.H. Davenport (2010: 17) claims: „knowledge workers are the key to innovation and growth in today’s organization. They invent products and services, design marketing programs, and create strategies. In sophisticated economies, they are the horses that pull the plow of economic progress.”

Due to the nature of work in the process organizations, associated with multitasking, expanding the scope of operation in processes and, therefore, in tasks, designing and implementation of changes, that is improvements in response to changing customer needs, as well as to the need to support advanced IT technology, the need to manage knowledge and deliver high quality human capital become particularly important issues. It consists largely of so-called knowledge workers. As T.H. Davenport (2010: 17) claims: „knowledge workers are the key to innovation and growth in today’s organization. They invent products and services, design marketing programs, and create strategies. In sophisticated economies, they are the horses that pull the plow of economic progress.”
If our companies are going to be more profitable, if our strategies are going to be successful, if our societies and economies are going to become more advanced – it will be because knowledge workers did their work in a more productive and effective manner”. Their primary tasks include knowledge and information manipulation. Their work in the process organization involves creating new products and services in relation to the changing needs of customers. A high potential for performance of these tasks is important even more because, according to C.K. Prahalad and M.S. Krishnan (2010) business process transformation heads towards a shift from selling a product to selling a service (as the product becomes an integral part of the service), which changes the relationship with the client from purely transactional to service, taking into account their personalized needs which are fulfilled using multiple resources. The process of provision of services uses knowledge generated continuously in current interactions with consumers, global suppliers and partners.

Among knowledge workers, apart from direct implementers of business processes, employed in the organization, there are also external experts. The authors point to the need to use external BPM experts, particularly in the initial phases of any organization’s BPM maturity and its first few projects, it will be appropriate for the organization to appoint external BPM experts and BPM project managers to assist in bringing BPM experience and knowledge transfer to the internal staff (Jeston and Neils, 2014). After the initial projects, and as the organization process maturity grows, external support for the managers can take set of responsibilities, such as, e.g. sharing their experience gained while working in multiple organizations, monitoring the progress of a project, monitoring the performance of the business and identifying areas for improvement, conflict resolution and project revival, support for the manager, evaluating (or quality assuring) project (Jeston and Neils, 2014: 28).

Knowledge management in the process organization should be focused not only on the acquisition of external knowledge (experts), use of knowledge process outsourcing (KPO), but also on multiplication of its resources based on the development of competence potential of the employees working in this organization. As it has been already emphasized, knowledge creating is related to creating value for clients. Hence, it seems necessary that the process organization improves knowledge work activities through process management. Obviously, the work of knowledge workers is of different character and it should be taken into account when designing improvements in this area.

Knowledge management in the process organization should therefore be targeted to support: 1) knowledge creation; 2) knowledge distribution; 3) knowledge application. Each of these elements contains different knowledge activities and requires different process interventions. According to T.H. Davenport (2010), from the perspective of process approach to the indicated activities related to knowledge, the most problematic seems to be knowledge creation. This results from the fact the knowledge creation is an activity that is difficult to manage as a process. Indeed solutions generated for the customer base on the so-called. hidden knowledge, i.e. knowledge of various combinations of different elements, possible substitutes, and creation of innovative service elements, which is essential to ensure customer value. This process aims at solving open problems, where it is not possible to use previous operation algorithms and the proposed solutions are innovative, and the method of performing tasks is similar to a creative process. Creating knowledge is unstructured, unmeasured, and unrepeatable by nature, but in many cases knowledge creation processes can be directed through its decomposition into several pieces or stages. Unfortunately, a challenge related to applying the process approach to use process thinking in the development of new products is that the early steps of the process may partially be called “fuzzy front end”. At this stage the customer’s requirements are not specified in terms of a new product and it is not known how it works (Davenport, 2010).
In the case of knowledge distribution, sharing or transfer, some problems in the application of the process approach may also be found, which result from the fact that for most of knowledge workers distribution is only part of their work. A consultant is primarily responsible for the generation of solutions for the customer, but also they need to share these solutions with their colleagues, as well as search how the existing knowledge may be helpful/used to develop solutions. However, it is difficult to introduce such division.

Tasks related to knowledge application include, for instance: sales, computer programming, accounting, engineering. In this case, it is the application of existing knowledge in different work situations. Improving knowledge application process may consist of reusing knowledge more effectively. Knowledge asset reuse is a frequently stated objective for organizations, but it is hard to achieve. Effective reuse of knowledge assets requires investment in making knowledge reusable: documentation, libraries, catalogs, modular structures for knowledge objects.

To sum up, it may be stated that despite the difficulties involved in improving knowledge work activities through process management – it seems to be essential that the process organization has the tools to compete in the market in the form of knowledge translated into innovative products and services. In addition to its generative potential, knowledge management (KM) is a decisive factor for success in the field of, e.g. business process outsourcing (BPO). Research confirms that BPM and HP could reduce risk of outsourcing and enable a PBO lifecycle (Mahmoodzadeh et al., 2009).

Key aspects of the human resource management in the process organization

In the context of the discussion on the role of different groups of internal stakeholders in initiation and execution of business processes in the process organization, and a number of circumstances in which they operate – the area of analysis should include selected issues related to Human Resources Management (HRM). The key question that arises in relation to this issue is the specificity of HRM architecture, which will be consistent with the assumptions of the process approach. In addition to the perspectives of using HRM in supporting the implementation of BPM, HRM system itself may be designed as a process. As the authors claim, one of the deficiencies in the area of HRM analysis is the absence of a system engineering-based attempt to model HRM as a business process (Cakar et al., 2003). Thus, the objectives related to the analysis of HRM models from a business process perspective are a valuable point of interest to researchers (Cakar et al., 2003; Zucchi and Edwards, 1999).

An example of a perspective that includes the development of a business process model for HRM are the analyses conducted by the team of F. Cakar, U.S. Bitici, J. MacBryde (2003: 198). They claim that “HRM process is a support process. It exists to support all other processes within the organisations. Therefore, all other processes are customers of the HRM business processes”. The researchers emphasize that because of the requirements of process management there is a change in the position of specialists, who deal with problems of the employed, towards supporting key processes (Ingram and Strużyna, 2004). At the same time, human resources management should also be treated as a process, which consists of certain activities associated with the selection of employees, the system of assessment and motivation, and the development of employees. They are the main sub-processes of human resource management (Czerska and Rutka, 2004). HR professionals, executing specific tasks, play a significant role in these processes.

HRM process like other processes is subject to planning and improvement. Thus, HRM process should consist of the following sub-processes which make up the continuous cycle: 1) plan (re-plan) HRM strategy; 2)
implement HRM strategy; 3) monitor impact on business results. Each subprocess includes various activities (Cakar et al., 2003).

The stage “make HRM strategy” uses the business strategy, objectives and requirements for key business processes to formulate an integrated HRM strategy by setting goals and creating opportunities, and also by setting adequate budgets for realistic implementation of the plan concerning the HR policy. The stage “implement HRM strategy sub-process” implements the HR strategy through planning, monitoring, utilizing, recruiting, assessing and selecting adequate people in order to provide their development and training. The “monitor impact on business results” sub-process monitors the impact of HRM process on business performance through monitoring of its contribution to the business strategy and objectives and other key business processes. Despite the fact that the model is not complete, as the authors admit themselves, the proposal presented above is an interesting exemplification of the business process-based approach to HRM.

In the context of the previously mentioned specifics of the process organization HRM system architecture is important, which takes into account the optimal use of the potential competence of employees performing and streamlining business processes in the context of various roles, team work, as well as personal responsibility for the results, and who deal with frequent changes. Hence, in-depth empirical analysis is required to answer the question about the key HR practices from the perspective of processes. Their identification and determination of the nature of the association may help in designing adequate actions, treating HRM processes as an important tool to support key business processes in the organization.

As indicated by the authors from the perspective of the process organization the following features become vital: team working, reward system and managers (Zucchi and Edwards, 1999).

**Team working**

The authors emphasize that the role of the workforce in organizations, where business project management are implemented, is different compared to the traditional organizations (Zucchi and Edwards, 1999). They claim that multidisciplinary/cross-functional teams are considered an important element in order to achieve all the benefits of a process-orientated organization. Team work creates the potential for greater productivity and higher efficiency of teams because teams worked better if they combine multiple functions into one unit, allowing adaptation to changing conditions. This form of organization not only promotes information sharing and exchange of ideas, but also, to a very large extent, allows for cross-inspiration, so that ideas (generated by the team) can distinguish not only in terms of quantity (high flexibility), but also in terms of quality, which creates an opportunity for development of unique solutions. Of course, the efficiency of the units is connected with a variety of factors: subjective (e.g., attitudes, values, personality traits), structural (e.g., the size of the team, homogeneity vs. heterogeneity), group (e.g., cohesion of the group, standards), environmental (e.g., team function in the process organization, the environment of the team), task (e.g., type of problems, time pressure).

Therefore, it is important to take care of the preparation of process implementers to team working: technical expertise, understanding of the objectives of the individual processes, defining tasks and outcomes, appropriate division of roles, effective communication, enhancing commitment of team members and mutual support, defining methods of work, providing means to implement them. This is even more important considering that BPR teams are typically cross-functional, with members coming from different areas of the business with different expertise and different backgrounds.
Conflicts are one of the dangers of effectiveness in the work of process teams, which may result from interpersonal differences. As P. Grajewski (2007) indicates, the source of conflict in the process organization may also be lack of consistency in the development and implementation of its objectives. Then, the problem is the limitation of process implementation to their creation only and their imposition on the existing structure. Processes are carried out in an unchanged configuration of the structure – in such situation two systems function at the same time: the process system and the task system. This results in a situation in which each member of the organization is involved in part of one or more processes, and, at the same time, is required to perform the tasks assigned to their position. Thus, sets of tasks are regarded as superior to the processes in which they formally participate. This two-plane system of operation may lead, among others, to competition for resources and competences between the functional and procedural systems or depreciation of the importance of the processes and their translation into procedures (Grajewski, 2007).

However, as indicated by J. Jeston and J. Nelis (2014) activity of the teams may concern both the entire process and its parts (tasks). However, regardless of the scope of action, team activities must contribute to generating added value, and its activity (collection of tasks) should be clearly defined, the expectations should be communicated, along with making sure that these requirements are understood.

**Reward system**

The reward system for the achieved results in the implementation of business processes should be an integral part of human resources practices in the process organization. A motivation system is essential for stimulation of a specific type of organizational behaviors and attitudes. Motivating as a subprocess includes the following phases: 1) identification of desired attitudes of (current and prospective) employees; 2) identification of employees expectations; 3) building the motivation system; 4) the use of the motivation system (Czerska and Rutka, 2004: 370–371).

As T.H. Davenport points out, the financially rewarding the team according to its contribution to the overall process, but considering individual contributions as well (Davenport, 1993). He also stressed the need to compensate both employees and managers on the basis of their contribution/ performance in creating value, rather than for the time they spend on performing job. Due to the fact that knowledge workers, who contribute to the development of innovative products and services, are a considerable part of the process organization, their specific needs should be included in the motivation system. When constructing a motivation system to encourage innovativeness in the process organization, one should take into account the diversity of expectations in this regard on the part of different groups of knowledge workers, as well as motivation mechanisms that regulate the display of innovative behaviors in the organization.

Any involvement of innovative nature requires the implementation of a high level of motivation, both autonomous and task-oriented, but in the context of creative activity the main emphasis is put on the role of internal motivation as a factor initiating and supporting behaviors of individuals. Aiming at novelty is an integral element of the internal motivation, as well as the need for competence and autonomy (Ryan and Deci, 2000). The need for competence is a source to explore and take on challenges, and the autonomy refers to the degree of behavior control. People are motivated to creative work by: 1) the need to experience new, varied and complex stimulations; 2) the need to communicate new ideas and values; 3) the need to solve problems (Franken, 2006). In light of the research on organizational factors of commitment, the following factors are considered among the most essential:
the possibility of performing a variety of interesting tasks and tasks that are challenging, give opportunity to learn, improve professional skills, and develop interests.

In order to motivate knowledge workers, one should use both financial and non-financial instruments. Non-financial tool may relate to the organization of work environment that enables fulfillment of the above-mentioned needs. It is also important to create possibilities of continuous improvement of competencies for acquiring knowledge, since such employees often participate in interdisciplinary teams, which requires updating their knowledge. They also broaden their range of roles, tasks and operations carried out in processes. In addition, the attitude of managers is also very important. They need to create situations for creative processes in order to stimulate the intellectual potential of employees. Such situations favor knowledge creation and managers should as well provide access to resources and various forms of support.

The role of managers

Finally, the role of managers should also be mentioned. Managers play a key role related to the implementation of the vision and mission of the company, design changes and redesign processes, set business objectives, and perform operational tasks relating to planning and organizing work for various groups conducting processes. They are often responsible for certain business processes, particularly those that have a direct impact on financial performance. It is emphasized that the main role of a manager in process management boils down to coordinate the team performing the processes and to provide counsel in this regard (Wachowiak, 2004). The basis of the activities carried out by employees should be the set objectives – the manager should formulate them together with the members of his team, but the employees themselves should decide upon the manner of their achievement. In order to achieve effective team work, the manager should create suitable atmosphere (of respect and trust) and provide activities to increase team cohesion and identification with the system of norms and values of the company.

Due to the fact that managers play a key role in processes that include a significant number of participants by supporting and coordinating the work of various teams, such as process analysts, system engineers, they should have specific skills in managing people, creating changes and solving problems. These include such skills as: formulation of objectives related to the processes as a result of the analysis of customer needs, planning, monitoring and controlling processes implemented on the basis of supplied resources, solving problem that are obstacles to achieving efficiency, modifying actions in the event of obstacles in order to effectively achieve the objectives, designing methods of improving processes based on the analysis of the current situation and forecasts of future demands. Moreover, in the context of non-routine approach and initiating changes in processes, the following abilities, characteristic for creative managers, seem to be requires: flexibility, openness, ability to think divergently, courage, determination, enthusiasm, unconventionality, self-confidence, a tendency to risk taking, originality (Higgs and Hender, 2004). However, from the perspective of the important role/tasks of a manager in the process organization associated with communications – formal and informal to all stakeholders – are social competencies.

Among other attributes, as pointed out by Champy (1995 cited in Zucchi and Edwards, 1999), are the skills necessary to overcome resistance to change, related to workforce mentality. In addition, Champy stressed the importance of appropriate training programs, which should relate to the main objectives: the ability to do the job, communication and reinforcement of organizational values, vision and mission; increasing self-consciousness in individual abilities and aspiration within the organization. He also indicates the need to change the style of leadership to the one of support and coaching. This is all the more important because employees performing processes have
very different needs, they are often people with high creative potential who appreciate their own independence and autonomy at work. Support may be manifested as: monitoring the work of subordinates and giving feedback at the right time, giving employees a sense of emotional support, expressing recognition in public and private situations and consulting them for professional matters (Amabile et al., 2004).

In the context of managing team the work of teams implementing projects, a flexible management style is important because it creates the possibility of using different tools to motivate, build commitment in team members, reinforce the team’s cohesion, stimulate productivity and make effective intervention in problem situations.

Conclusion

There are numerous factors which significantly influence effective realization of business processes. One of them is organizational culture, which forms a context within which employees display specific behaviors. This culture may support BPM, but may also function as its inhibitor. In the latter case, a change is needed in order to increase effectiveness of realization of business processes.

Apart from cultural aspects, a significant role in process organizations is played by employees, as they do not only guarantee efficient realization of business processes but also secure the design and implementation of changes which facilitate the increase in company competitiveness. The point of departure lies in the changes in personalized needs of customers, whose realization requires a variety of activities, including those which are related to creating novel products and services. It imposes the need for the process organization not only to act in a multidirectional, flexible manner, but also to undertake unique activities in the sphere of knowledge management and human resources. It is a consequence of the fact that processes of knowledge generation, distribution and application form a basis for creating values. This fact is related to special demands in the sphere of HRM: the use of adequate practices within job design and diversified motivational systems for various employee groups. The key role in these processes is also played by managers who create the vision, formulate business goals, design processes and manage people.

References


