



# EXAMINING THE IMPACT OF PROCESS MANAGEMENT ON CUSTOMER VALUE PROPOSITION

Dr. K C Prashanth<sup>1</sup>, Dr. Veena M<sup>2</sup>

<sup>1</sup>Associate Professor, Department of Studies in Business Administration, Vijayanagara Sri Krishnadevaraya University Ballari, Karnataka, India

<sup>2</sup>Assistant Professor, Department of Studies in Commerce, Vijayanagara Sri Krishnadevaraya University Ballari, Karnataka, India

## ABSTRACT

Indicator of any organizational success is its value processing system. Its mandatory that continuous improvement of processes leads in realizing objectives of processing system as well as wealth of the organization in terms of share value and earnings per share. An organisation is a group of interrelated and interdependent processes and the improvement of these processes is the prime aim of process management in TQM. Deming reveals that the treatment of organisational problems is generally consistent with process management. Effective process management develops a sense of ownership in employees, satisfaction, reduction in variations, quality improvement and ultimately performance optimisation. Hence, quality processes are of great significance in delivering quality products and satisfying customer needs. One of the crucial factors in successful implementation of TQM is Business process management. MSMEs play critical role in the economic development of a country. Quality management of these MSMEs is would be critical for their stability. The aim of the paper is to examine the level of Business process management against unit cost of MSMEs of Ballari, Karnataka. The universe comprised executive and non executive workforce of the firm. Sampling was carried out using convenient sampling technique with sample size of 50 in line with the Cochran formula. Data was collected using observation and informal interview methods. Descriptive statistics and Chi-square test was used to analyse the data. The research envisaged that all the factors of Business process management are associated with unit cost of the MSMEs. The study revealed that, performance linkage to benefits and negative motivation at the MSMEs has significant influence on unit cost.

**KEYWORDS:** Business process management, Factors of Business process management, unit cost, etc.

## I. INTRODUCTION

An organisation is a group of interrelated and interdependent processes and the improvement of these processes is the prime aim of process management in TQM. Deming reveals that the treatment of organisational problems is generally consistent with process management. Effective process management develops a sense of ownership in employees, satisfaction, reduction in variations, quality improvement and ultimately performance optimisation. Hence, quality processes are of great significance in delivering quality products and satisfying customer needs (Deming 1986). Crosby (1979) also expounded that all activities carried out within an organisation can be broken down into fundamental processes and are connected together in a quality chain. This approach helps an organisation to realise its goals (Yong and Milkinson 2001). Ultimately a process can be defined as the transformation of set of inputs, which includes

actions, methods and operations into outputs that meet customer needs and expectations (Okland 1993). The process comprises critical tasks which are linked together. Identifying these critical tasks and placing the right people to take responsibility for them which leads to the start of getting the process team organisation up and running (Okland, 1993). Therefore organisational members should always bear in mind that all their work is a process, which can have an effect on their adjacent works, and ultimately the company's output. Any TQM company is required to have good process management and this will involve R&D design, Management of process quality for all work units, systematic quality improvement and quality assessment (Yong and Milkinson 2001).

The study on quality management system of the firm would help the MSMEs of the region to know the findings and adopt necessary changes or practices in their quality management system.



Based on the emphasised significance of Business process management in incepting TQM in the previous studies, the following practices were

considered in the design of the questionnaire in order to examine the level of Business process management at the MSMEs under study.

**Table showing Business process management (PM) items used in the study**

A	<b>Maintenance of production equipment:</b> Production equipment is maintained well according to the maintenance plan.
B	<b>Quality control procedure:</b> Company strictly identifies and analyzes significant variations in process and output, determines root causes, makes corrections and verifies result.
C	<b>Inventory Management:</b> Keeps the amounts of inventories as low as possible.
D	<b>Quality Inspection:</b> Conducts incoming, in-process, and final inspection effectively.
E	<b>Standardization of Processes:</b> Company has site-wide standardized and documented operating procedures.
F	<b>Process Benchmarking:</b> Company systematically conducts extensive benchmarking of other companies business processes.

### Unit cost

Economic effectiveness is determined by increase in revenue of reduced cost of processing. Organizational excellence is determined by measuring the holistic performance of an entity. But, when it comes to its measurement, performance has gradually gained more objectivity sense. Therefore new methods of reporting performance is gaining significance these days. Economic Performance is one such performance measure targeting economy in any processing systems of the organization. Therefore, major economic performance factor unit cost is used in the study.

### Problem Statement

Quality and quality management are quite necessary elements any organization shall have to practice. As per the current and previous studies on quality management, among quality management practices, Business process management has been playing crucial role in influencing quality and other practices quality management in the organization. What would be in case of MSMEs? And how it would be in MSMEs? Especially at non metros, are the inquisitive corners need to be pondered. Therefore, the current study tries to explore and

describe the nature of Business process management and its influence in terms of unit cost under the study.

### Hypotheses

H0: There is no association of Business process management on unit cost.

H1: There is an association of Business process management on unit cost.

## II. METHODOLOGY

**Type of the Study:** Descriptive-Survey research

**Population:** MSMEs of Ballari

**Sample Size:** 50 as per Cochran formula

**Sampling Technique:** Convenient Sampling

**Data Collection Instrument:** Visit observation, interaction, informal interview, etc.

**Data analysis and Hypothesis Testing:** Descriptive and Inferential statistics, Chi-square Test and Freedman test

## III. RESULTS

As per central limit theorem, distribution of data is normal. In order to test research hypothesis, Chi-square - test was used.

**Table-1 Chi-square Test for association of Business process management with unit cost**

Association	P-Value	$\chi^2$	Accept/Reject Ho
Business process management and unit cost	0.00	25.4	Reject
<b>Sub Components of Business process management</b>			
Maintenance of production equipment	0.00	22.4	Reject
Quality control procedure	0.00	23.7	Reject
Inventory Management	0.00	17.3	Reject
Quality Inspection	0.00	20.4	Reject
Standardization of Processes	0.00	25.4	Reject
Process Benchmarking	0.00	26.7	Reject

The table indicates that, p value is less than 0.05. Therefore we reject null hypothesis that is it is found that there is an association of Business process management with unit cost at the firms.

The following table ranks the factors of Business process management as per Friedman's Test

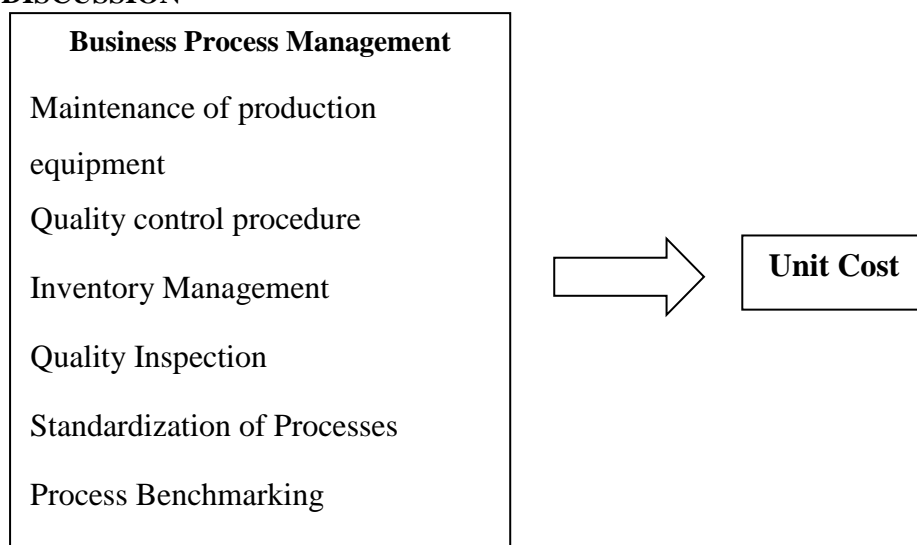
**Table-2 Ranking of factors of Business process management**

Factors of Business Process Management	Priorities
Maintenance of production equipments	4 <sup>th</sup>
Quality control procedure	3 <sup>rd</sup>
Inventory Management	6 <sup>th</sup>
Quality Inspection	5 <sup>th</sup>
Standardization of Processes	2 <sup>nd</sup>
Process Benchmarking	1 <sup>st</sup>

Table indicates that process benchmarking, standardization of processes, quality control procedure and maintenance of production equipments

at the MSMEs has significant influence on unit cost at the firms.

#### IV. DISCUSSION



**Fig: Model representing the association of Business process management and Unit cost**

#### Significance of Business process management on unit cost

Indicator of any organizational success is its value processing system. Its mandatory that continuous improvement of processes leads in realizing objectives of processing system as well as wealth of the organization in terms of share value and earnings per share. An organisation is a group of interrelated and interdependent processes and the improvement of these processes is the prime aim of process management in TQM. Deming reveals that the treatment of organisational problems is generally consistent with process management. Effective process management develops a sense of ownership in employees, satisfaction, reduction in variations, quality improvement and ultimately performance optimisation. Hence, quality processes are of great significance in delivering quality products and satisfying customer needs. This study is also showing significant relationship with unit cost at the MSMEs. All the identified factors of Business process management are found critical with unit cost. However, process benchmarking, standardization of

processes, quality control procedure and maintenance of production equipments at the MSMEs has significant influence on the unit cost.

#### Significance of Process benchmarking on Unit cost

Adopting the proven or improved versions of processes yielded process effectiveness. The current study found out that systematic conduct of extensive benchmarking of other business processes encouraging interdisciplinary interactions and knowledge sharing has significant influence on the unit cost at the firms. Therefore, practicing benchmarking of the processes or techniques in the horizontal or vertical sectors may be helpful in reduction of the unit cost.

#### Significance of Standardization of processes on Unit cost

Change management's unfreeze, change and freezing the improved versions of processes has proved beneficial for the organizations. The current study found out that firm having site-wide standardized and documented operating procedures



has significant influence on the unit cost at the firms. Therefore, practicing the standardized processes reduce variations and in turn cost reduction.

#### Significance of Quality control procedure on Unit cost

Quality control process, as proved, reduced the defects and deviations in the process and controls the processes. The current study identified that strict identification and analysis of significant variations in process and output, determines root causes, making corrections and verifying result has significant influence on the unit cost at the firms. Therefore, emphasizing quality control processes would help the firms reduce unit cost.

#### Significance of Maintenance of production equipments on Unit cost

Maintenance of processes facility ensures no variation in realizing the objectives of processes and firms. The current study found out that keeping the amounts of inventories as low as possible systematic conduct of extensive benchmarking of other business processes has significant influence on the unit cost at the firms. Therefore, cost reduction may be addressed through regular and effective maintenance of business processes.

### V. CONCLUSION

Indicator of any organizational success is its value processing system. Its mandatory that continuous improvement of processes leads in realizing objectives of processing system as well as wealth of the organization in terms of share value and earnings per share. An organisation is a group of interrelated and interdependent processes and the improvement of these processes is the prime aim of process management in TQM. Deming reveals that the treatment of organisational problems is generally consistent with process management. Effective process management develops a sense of ownership in employees, satisfaction, reduction in variations, quality improvement and ultimately performance optimisation. Hence, quality processes are of great significance in delivering quality products and satisfying customer needs. This study is also showing significant relationship with unit cost at the MSMEs. All the identified factors of Business process management are found critical with unit cost. However, process benchmarking, standardization of processes, quality control procedure and maintenance of production equipments at the MSMEs has significant influence on the unit cost. All in all, firms need to focus all the identified factors of process management for effective cost reduction.

### REFERENCES

1. Mohamed Zairi (1997) *Business process management: a boundaryless approach to modern competitiveness*. *Business Process Management Journal* Article publication date: 1 April 1997, ISSN: 1463-7154.
2. D.J. Elzinga; T. Horak; Chung-Yee Lee; C. Bruner (1995). *Business process management: survey and methodology*. *IEEE Transactions on Engineering Management*, Volume: 42, Issue: 2, May 1995.
3. Richard Yu-Yuan Hung (2011) *Business process management as competitive advantage: a review and empirical study*. Pages 21-40 | Published online: 11 Feb 2011.
4. Colin Armistead, Simon Machin (1997) *Implications of business process management for operations management* *International Journal of Operations & Production Management*, ISSN: 0144-3577, Article publication date: 1 September 1997.
5. RokŠkrinjar Peter Trkman, Michael Rosemann, Jan vom Brocke (2013) *Increasing process orientation with business process management: Critical practices*, First Online: 11 April 2014, February 2013, Pages 48-60.
6. Markus Kohlbacher (2010) *The effects of process orientation: a literature review*.
7. *Business Process Management Journal*, ISSN: 1463-7154, Article publication date: 9 February 2010.
8. Markus Kohlbacher, Stefan Gruenwald (2011) *Process orientation: conceptualization and measurement* *Business Process Management Journal*, ISSN: 1463-7154, Article publication date: 19 April 2011.
9. Jan vom Brocke, Theresa Schmiedel, Jan Recker, Peter Trkman, Willem Mertens, Stijn Viaene (2014) *Ten principles of good business process management*. *Business Process Management Journal*, ISSN: 1463-7154, Article publication date: 1 July 2014.
10. Colin Armistead, Jean-Philip Pritchard, and Simon Machin (1999) "Strategic Business Process Management for Organisational Effectiveness" *Business Process Management Journal*, Volume 05 No 01 pp 10-32.