DEVELOPMENT OF INDUSTRIAL ENTERPRISE STRATEGY BY IDENTIFICATION OF KEY BUSINESS PROCESSES AND CASCADING DOWN THE MANAGEMENT LEVELS

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Abstract: The article shows the authors’ vision of the development of the industrial enterprise strategy by identification of the key business processes and cascading them down the management levels. By analyzing several industrial enterprises and interviewing their top managers, key indicators are proposed that affect the development of the industrial enterprise strategy. Cascading the key business processes down the management levels is performed; proposed is the model for developing an industrial enterprise strategy based on the identification of the key business processes and cascading them down the management levels. The model classifies the business processes of the organization in main areas.

Keywords: business processes, industrial enterprises, strategy, management levels.

Introduction

Economic development of any country largely depends on the efficiency of production activities and competitiveness of the products manufactured by the industrial enterprises. Worldwide experience shows that the most effective are those enterprises where the development of an enterprise strategy closely related to the effective management of business processes is the foundation of internal policy.

As is known, the Concept of Russia's Development until 2020, adopted in 2008, points out the need for a fourfold increase in labor productivity, which will allow our country to take the fifth position in the GDP world ranking and substantially increase the competitiveness of the manufactured products.

The Concept was needed due to the low level of labor productivity, high losses of working time, low competitiveness of goods, and lack of motivation for workers to work efficiently at the industrial enterprises of the Russian Federation.

Management of labor productivity, as well as its growth, is not a goal in itself, but it is necessary to increase the efficiency and competitiveness of industrial enterprises, and maximize the profits without additional increase in sales. And in most cases, the profits can be multiplied much easier by increasing the labor productivity than by increasing the sales volumes or cost control. A commercial enterprise exists not for the sake of raising labor productivity, but ultimately for the sake of increasing the profits. But in the current economic conditions, profits can not be a reliable guide for sustainable operation of the enterprise in the long term. At the same time, activity based on the labor productivity management allows to assess the state of business taking into account the negative processes. Orientation to managing the development of the organization's strategy makes it possible to shift the emphasis from assessing the current state of the enterprise to assessing its state in the future which gives it the opportunity to take its rightful place in its market among many competitors.

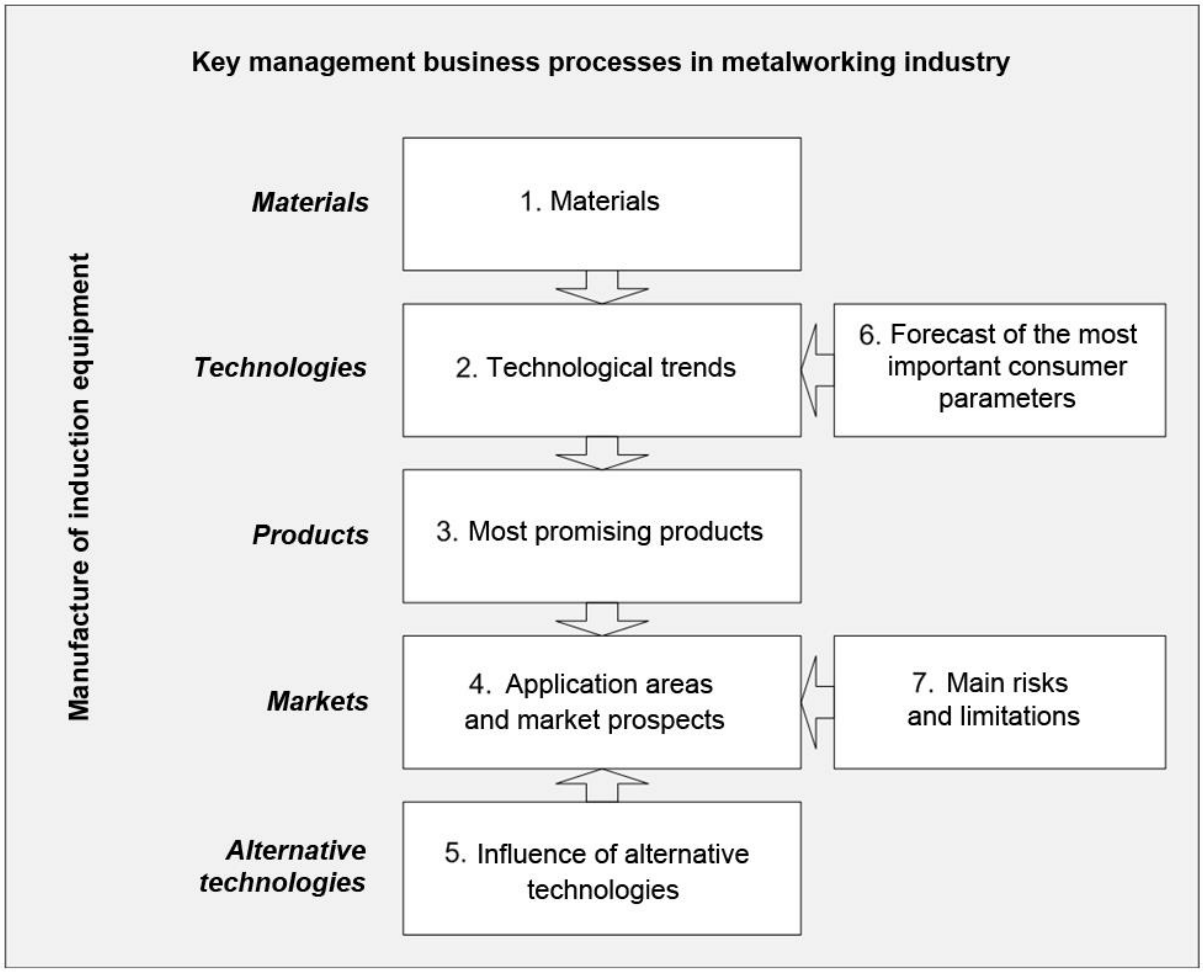


Fig. 1 Key management processes of production subdivisions in the metalworking industry

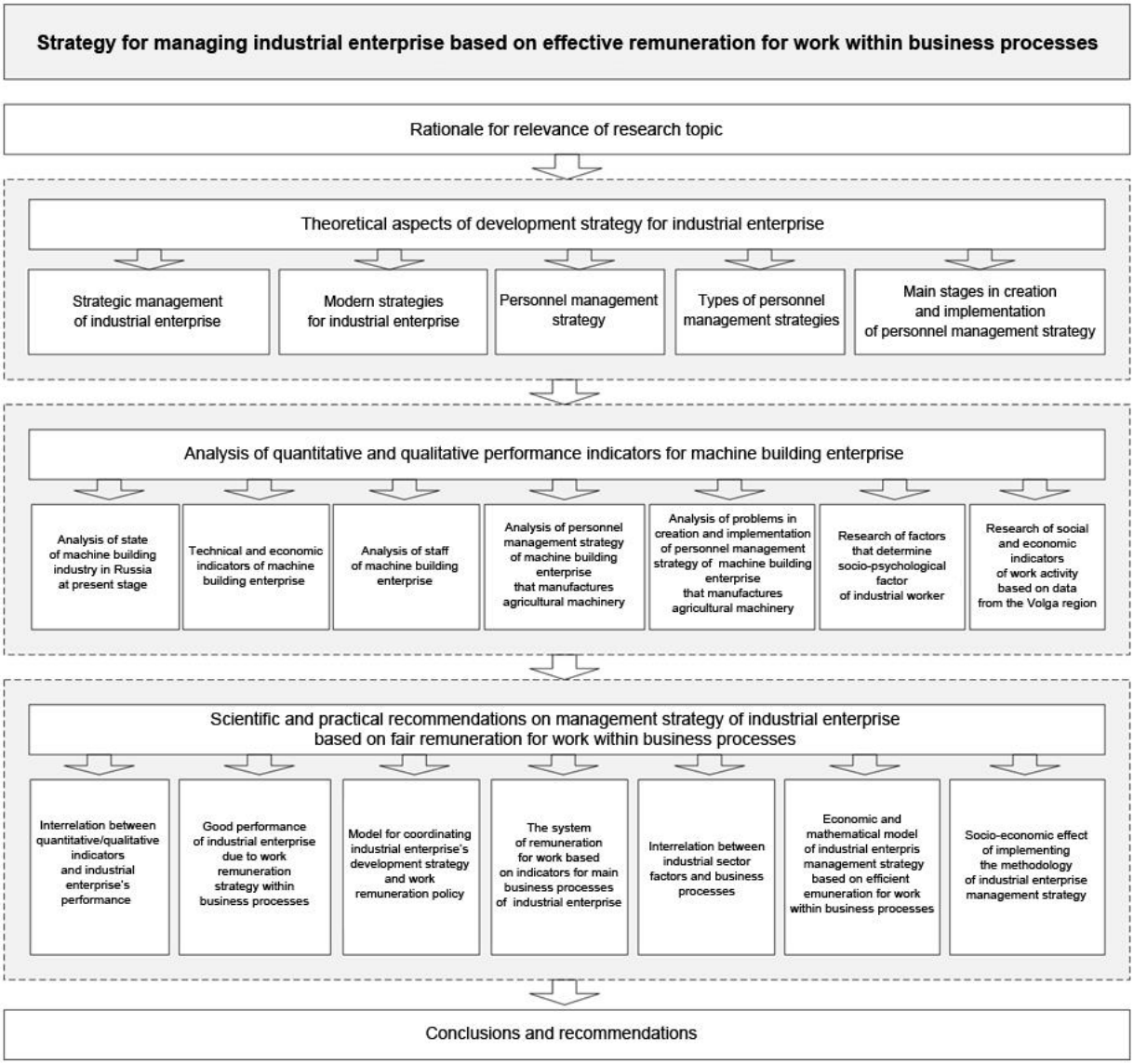


Fig. 2 Strategy for managing industrial enterprise based on effective remuneration for work within business processes

Interaction between business processes and remuneration strategy 2.1. Systematization and cascading down the levels of management of business processes in industrial enterprises; development of indicators for their evaluation.

Efficient enterprise management is impossible without proper understanding of its interaction with the external environment and exact knowledge of how its internal environment functions. External environment, in a broad sense, can include all organizations that use the results of the enterprise's activities, and internal environment can include functional subdivisions of the enterprise. This interaction is characterized by a set of interrelated activities and tasks aimed at the creation of a certain product or service called a business process.

Simulation of business processes must begin with defining the structure of simulated objects and their components. Any business processes, regardless of the type and complexity, can include 6 basic components: planning, organization, monitoring, control, activity analysis, and subsequent decision-making. Planning the activity as a business process component involves

drawing up plans to establish the indicators for achieved results of the business process and indicators for process implementation efficiency. The organization of activities is direct implementation of the business process as an event in achieving the goal of production. Monitoring of activities is aimed at obtaining actual data on the progress of the business process. Monitoring and analysis is a tool to determine if the planned indicators have been achieved. Decision making is pre-output component of the business process.

Most important concept of process management is the network of business processes in the enterprise. Algorithm for the distribution of performed in subdivisions functions among the enterprise processesis as follows:

– obtaining a scheme of the existing organizational and staff strauctures of the enterprise;
– defining the list of the enterprise’s top level business processes (up to 15);
– defining the functions performed at the level of enterprise subdivisions;
– distribution of subdivision functions among the processes.

End-to-end cross-functional business process crosses the boundaries between the subdivisions. Resources used to implement such a business process are at the disposal of specific managers of subdivisions. It is virtually impossible to identify one owner of such a business process. Binding the network to the organizational structure of the enterprise allows to clearly define the business process’ boundaries. Responsibilities and authorities of process owners are known. With this method of structuring the work activity it is easy to see which resources are at the disposal of each process owner and which results the prodcess owners are responsible for. Thus, the network of business processes in the enterprise determines the set of functions, performed in the subdivisions, which are distributed among the business processes interacting with each other.

In the literature, you can find different approaches to the compilation of a standard list of business processes. For example, there is a list of processes proposed by the International Benchmarking Clearinghouse. Redundancy and versatility of this model will allow to apply it to an enterprise of any size and scope of activity. The model classifies the business processes of the organization in 13 main areas:

1. Understanding market and customers.
2. Developing a strategy.
3. Designing products and services.
4. Sales.
5. Producing and delivering the products.
6. Producing and delivering (for service organizations).
7. Customer service and invoicing.
8. Human resourves management.
9. Information resources management.
10. Financial and physical resources management.
11. Environment management.
12. External relationships management.
13. Improvements and changes management.

Up to 40 processes are identified within each area that describe the main spheres of activity of any enterprise. That is why the list of processes has a redundancy. This classification is not versatile. Therefore, when implementing a process approach, it is necessary to rely on the existing organizational structure of the enterprise and to consider the actual activities performed by specific subdivisions.

Taking into account international standard ISO 9000: 2000, it is possible to propose the following scheme to divide the enterprise's activity into processes:

1. Number of processes in the organization directly depends on the number of employees and the structure of the organization.
2. It is practical to draw a distinction between the processes in the network along the boundaries of large subdivisions.

This approach is related to the fact that the transfer of the results of the subdivision's activity (process output)is usually formalized. Responsibility for the transfer of results is borne by the manager of subdivision (process owner).

There are different approaches to the business process classification. Identification of business processes related to the main, auxiliary, and management processes should be considered as the best reflecting the modern practice of industrial enterprise management.

Main business processes are processes, focused on the production of goods or the provision of services, which are the target objects in establishment of the enterprise and which ensure income generation. Main business processes must include those that increase the value of products for the consumer. When identifying such business processes, as a rule, product life cycle is used. At a particular enterprise, some business processes may either be absent at all or be included in other business processes.

Auxiliary business processes are intended to support all other business processes. At enterprises of any industry, these are: process of financial support of activities; staffing process, engineering and technical support process, etc. Auxiliary business processes do not add value to products and are costly for the enterprise. Specific enterprise independently identifies the processes that have to be carried out to ensure normal functioning. Use of the results of this process to ensure the operation of many functional subdivisions can be a criterion for distinguishing the auxiliary process. Auxiliary business processes are not less important or unnecessary for an enterprise. For effective operation, any enterprise must have the appropriate infrastructure.

Management business-processes cover the whole set of management functions. These are the processes of strategic, operational, and ongoing planning, formation and implementation of managerial influences. Selection of management business-processes as a description objects requires measuring their performance and efficiency.

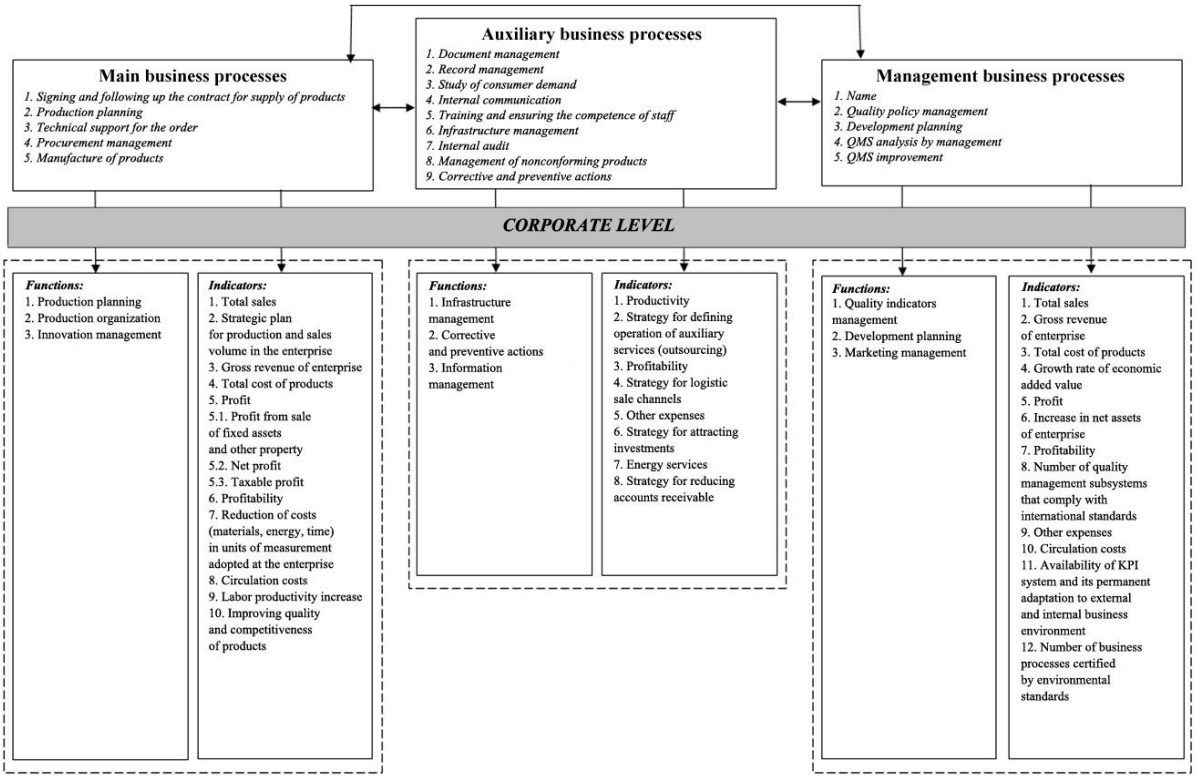
In addition, when describing business processes, it is necessary to take into account the activity implementation levels. Traditionally, three levels are distinguished when describing the business processes. The upper level of business process description corresponds to the processes that are managed by top managers. Second level of processes, as a rule, is considered at the level of large functional subdivisions of the enterprise. Third level is the level of functions of subdivisions and departments. Thus, the author singles out corporate, operational, and linear levels of management, each of which suggests the management of key business processes by managers having the relevant competence in making specific decisions on the management of enterprise processes.

Number of identified business processes should not exceed 3-5 for main proceses, 5-8 for auxiliar processes, and 4-6 for management processes.

Having determined what types of processes are necessary for the enterprise, you can proceed to identifying these processes and creating a management system for them.

For many industrial enterprises, a standard list of processes can be identified that conforms with the proposed classification of business processes (Figure 3). It should be noted that the process is not the same as the subdivision, but at each enterprise there is a functional

hierarchical structure of managers and divisions. This structure deals with the transformation of inputs into outputs, i.e. the products for the consumers.
Subdivisions in the organization are created according to their functional properties or according to any completed or specialized function they fulfill. The result of the function is always some intermediate product or a semi-finished product. Usually, the results of the subdivisions' activities are defined and formalized. Therefore, it is proposed to segment business processes within the enterprise. For this, first of all the functional structure is considered. When segmenting,it is necessary to clearly to distribute among the processes the functions performed in the departments. During segmentation, the managers of structural subdivisions actually become the process owners since they are the ones who actually manage the resources and personnel, bear responcibility before the higher management for the result of the functions assigned to the divisions. Functions, works, and operations that make up the content of process technology are regulated in instructions, methodologies, and standards. Functions of the process management system are virtually not regulated. It is noted in foreign sources the managers of Russian enterprises do not have a sufficient level of responsibility: "... each manager has his/her own opinion about who is responsible for achieving certain results, who exactly and how must analyze the efficiency of the management system".



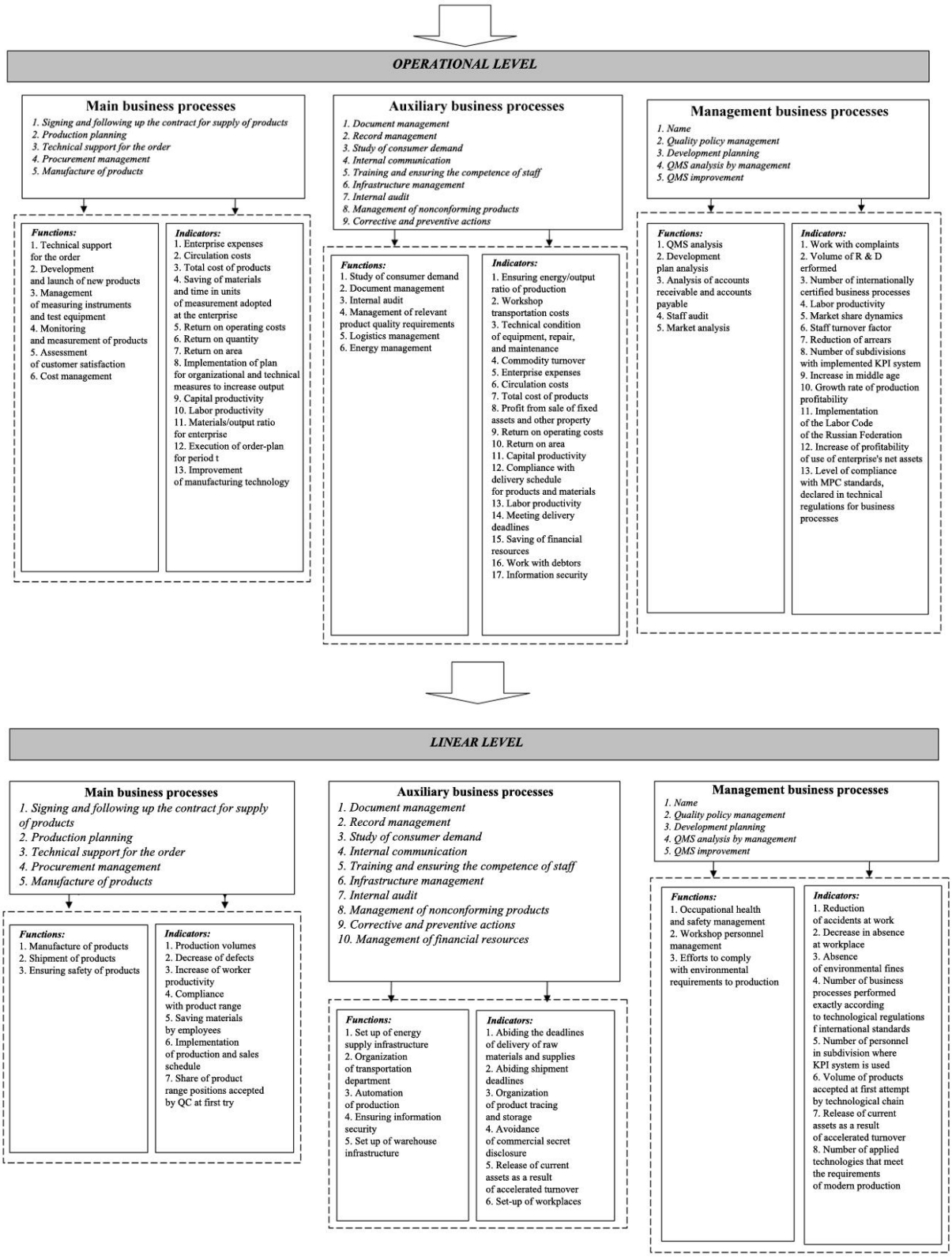


Fig. 3 Systematization of all business processes of industrial enterprise by cascading them down management levels

We propose a model for developing the industrial enterprise strategy based on the identification of key business processes.

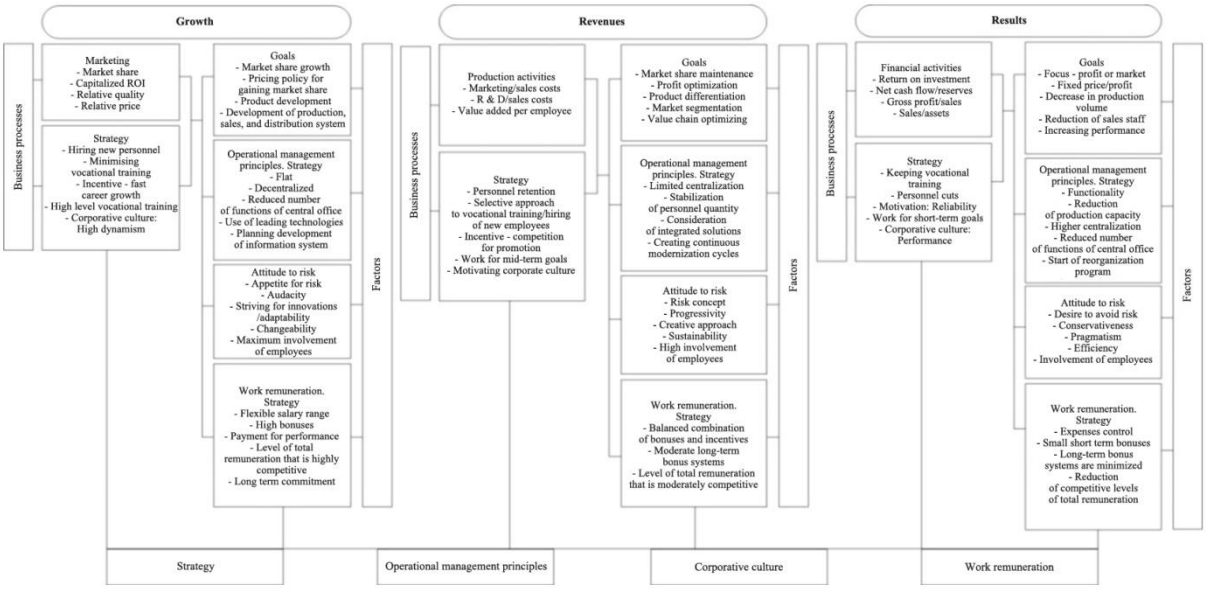


Fig. 4 Model for developing the strategy of industrial enterprise based on the identification of key business processes

Conclusion

We have created a model for developing the strategy of industrial enterprise based on the identification of key business processes. The model represents the relationship between the components: 1. Growth – marketing to increase the market share, strategy – recruitment and hiring of personnel, goals – pricing policy, reward for work, strategy – risk appetite. 2. Revenues – productive activity, strategy – retention of personnel, goals – maintaining the market share, profit optimization. 3. Result – strategy to reduce staff, maintaining the market share, objectives – higher efficiency, profit.

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