

THE PARADIGMS OF THE PROCESS APPROACH IN MANAGEMENT

I.O. Kuznetsova, O.V. Kereksha*

1. Introduction

Dynamism of the environment and the desire to grow force modern organizations to become more and more complex systems. The premise of their adaptive diffusion into a competitive environment is not only competition of goods and services but also the competition of innovation management techniques. The creation of modern management technology requires the research of the above mentioned technology as a complex process, the outlining of its operations and the establishment of formal methods for their implementation.

Theoretical and methodological aspects of business management are covered in many fundamental works of scientists, in particular, much attention is paid to the development of the process approach in the works of M. Green, P. Drucker, V. G. Yeliferova, A. E. Kuzmin, M. S. Pushkar, V. V. Repin, D. Hahn and others. Despite the significant achievements of the predecessors, the question of forming a rational management technology based on improving its structure has not received the sufficient development yet. We propose to consider management as a process that can be constructed. It is logical to assume that the structure of the management process can be controlled by the process approach that determines the necessity to investigate its development in modern concepts of management.

2. The main section

A review of the scientific literature on management allows us to suggest that nowadays there are two paradigms of the process approach.

The basic premise of the first paradigm is the following message: management is “a process which consists of series of ongoing, interrelated activities or functions within the organization” [1, p.71–72]. The above described paradigm has dominated in management for a long time and today it is also quite common. However, we believe that it contains a number of contradictory principles.

First of all, its basic principle is essentially corresponds to the notion of process as a follow-up set of operations to transform inputs into the required outputs. If we believe that in management the head has a number of separate functions there must be specified their elements and sequence. But no one of these issues has found a clear and convincing solution in the scientific studies.

At present, there is little agreement of researchers on general management functions. In numerous scientific papers on the problems of management authors tend to list their own management functions that differ from others' in quantity and content. If the nature of the management process really consisted of the implementation of common functions, such difference of opinions makes it impossible to outline the specific sequence of operations and as S. Yanh noted “introduced the work of the head as something chaotic” [2, p.67].

Moreover, the list of functions is expected to combine in a single process different activities: on the one hand planning, control (management impact on the organization), from the other hand – the motivation, encouragement and managerial influence on the activities of employees.

As for the sequence of functions, which according to the nature of the process should be defined

* © I.O. Kuznetsova; Doctor of Economics, Professor, Head of Management of Organizations and Foreign Economic Relations Department; Odessa National Economic University; Ukraine.

© O.V. Kereksha; PhD; Head of Foreign Languages Department; Odessa National Economic University; Ukraine.

and repeated for each cycle of control, the issue was not considered and some authors just list simple management functions, or as in the matter of the composition of management functions they just offer their different sequence. So, M. H. Meskon, M. Albert, A. Hedouri [1, p.72] start the process from planning and finish with control, A. V. Vasilenko believes that it starts with analysis and finishes with accounting [3, p.255], others [4, p.37] believe that it begins with forecasting and finishes with analysis.

Therefore, the considered paradigm of the process approach contains a number of contradictions. On one hand the nature of the process approach requires its operations to take place logically one after another, in other words it requires the establishment of a specific structure and sequence of similar operations. From the other side, the use of functions as components of the management process gives a false picture of its effectiveness.

The above mentioned issues identified and systematized by us, as for experience of using the process approach, such as the lack of a single common control functions; absence of a single sequence of control functions; combination of different components in the list of functions, give reason to decide that to structure the process of management there is no sense to use the traditional paradigm of the process approach. Moreover, following its essence (in fact management is characterized as a chain of related functions) it should be considered as the one that implements a functional rather than a process approach.

Let's analyze the modern concept of the process approach that actually makes it a new paradigm. In recent years, mainly due to consulting firms in the sphere of management, there is a concept of "process management" or "process-oriented management" which is getting more and more popular, it is based on the allocation of business processes in the organization and in there management [5, p.33; 6, p.16]. According to this approach, the scientists determine its two types [5, p.56–57; 6, p.116–117; 338]:

- combination of business processes with the existing functional and hierarchical structure. When using it in a company there is a net release of business processes, which cover all activities of the company or do it partially. In this case, the network of business processes is tied to the functional units, so they coincide;
- selection of cross-organization processes which are not tied to the functional units. While implementing it there are business processes created that are fully or partially include the activities of various functional structural units of an organization. The processes are structures in accordance with the chain of values.

Based on the management theory, this approach affects only organizational management structure. In the first case the linear functional structure is used, in the second one the matrix one is used. In the final case, the concept of "process management" aimed at designing and redesigning the business processes [5, p.241–270; 6 p.42–80; 7, p.144–147; 8, p.173–174] to detect excessive or too costly business processes and to increase efficiency. Thus, the "process management" is essentially the concept of business process reorganizing and or has a similar drawback: although it uses the engineering paradigm, however, modeling the management process itself did not get any development in them.

We believe that more constructive in terms of solving the existing problems are the following concepts: management by objectives, controlling and total quality management, which also have been developed within the new paradigm of the process approach. Let's consider them.

The concept of management by objectives (Management by Objectives) was developed by P. Drucker and researched by J. Morryseya, J. Odiorne and A. Raya. For example A. Ray justifies the necessity for managers to focus on achieving the goals and the best results by using available resources. It comes from the unity of objectives and results and suggests that on the basis set general objectives of the enterprise managers determine specific goals for the activities of each business unit to ensure their achievement in the

management of production. That is the whole management process focused on achieving outcomes through evaluation managers for a number of indicators that measure the results obtained.

The management of this concept itself is usually represented as a series of stages [9, p.15–17]: the formation of clear, concise goals; development of realistic plans to achieve them; systematic measurement and evaluation of results and outcomes and corrective actions to achieve planned results. Since the formation of the purposes referred to the planning, and evaluation of results and actions correction are referred to control, this process is often presented as planning, plans implementation and control [10, p.65].

The idea of focusing on achieving goals through decomposition of results of development is found in many modern concepts of management: Balanced Scorecard (BSC) R. Kaplan and D. Norton, pyramid of performance of McNair and efficiency prism of E. Neely.

In general, the concept of management by objectives: emphasis on performance management and provides guidance in this process: the goals of the organization, which are defined in terms of “results”; concentrating efforts and motivate managers and employees to achieve organizational goals; uses a set of indicators to monitor the results. Although staff action management process is developed in the concept, there is no theoretical justification for their sequence that makes us hesitate about the proposed action and to consider them as transaction management process. Moreover, there is no formal description of the proposed process: inputs and outputs, components and methods for their implementation. The concept of controlling unlike the concept of management by objectives, where the emphasis are made on establishing goals and objectives at all levels of management, in controlling more attention is paid to the objectives and first of all economic ones, by comparing results obtained with the results planned. To solve this problem the special mechanism of “adjustment disorders” is introduced [11, p.75; 12, p.175–190].

Analysis of modern scientific achievements [12, p.16–19; 13] suggests that scientists are trying to determine functions of controlling and thus, to make it closer to the concept of management, which would have had an integrated value. In this area the most advanced are development of German scientists, who do not focus on the functions of controlling and view management as a set of phases (or components): planning and control [14, p.20; 15, p.55]. So, Peter Horvath process management represents a typical vicious circle of action: the establishment of performance indicators, comparing actual data with target (planned), the analysis of deviations and corrective measures [14, p.21].

The most reasonable, in our view, is the position of D. Hahn and H. Hungenberg. They consider the governance in the broad and narrow sense. In the narrow meaning the scholars understand it as “the process and implementation of the will making and will realization, which are made in relation to other subordinates aimed at achieving one or more goals and the one that requires taking the related liability” [15, p.48], in the wide sense it is considered as “the process of solving problems in achieving the goals set” [15, p.46]. The final meaning of management allowed the authors to identify the six phases of the process [15, p.46–56]: problem; search of alternative solutions; evaluation; decision-making; implementation and monitoring. The abovementioned phases of control are further combined into three parts: planning, management and control.

First of all, the proposed structure of the management process may counter fight with the theory of management, which, as you know, in addition to the functions of planning and control is seen as at least as another function of organization and motivation. However, it should be emphasized that in this case the authors consider the planning, management and control is a management function, and as “the process of obtaining, processing and transmission of information” [15, p.58]. This view, in our opinion, is appropriate. Separation of the two dimensions of governance (in the narrow and broad sense) allowed the authors to consider the structure of the management process, highlighting certain elements and their sequence. However, it should be noted that the use of terminology of functional approach is inappropriate because it generates a doubt as for the completeness of features and hides the essence of “phases” and “blocks” the management process that causes a criticism [16, p.13].

A major shortcoming of controlling is that although the authors use elements of the modern paradigm of the process approach on practice (management in controlling is presented as a combination of two phases – planning and control, clearly defined the basic information and targets planning), but it is not fundamental to this concept: there is no clear separation of operations of the management process; the main achievement of the process approach is not fully used – the ability to create rational management technology is targeted.

The concept of total quality management (TQM) considers how to ensure the product quality through the prism of the quality assurance process. In this connection, the attention is focused on the selection of individual processes in production and establishment of certain requirements for their implementation.

It should be noted that although TQM and used elements of the process approach, as in previous concepts he has not received the theoretical development. The model of quality management in ISO 9001: 2000 is being discussed. The process in this case is represented only schematically by input, production and output. As for the cycle which includes: management responsibility; resource management; measurement, analysis and improvement, the logic structure of such controls based on the process approach, and their sequence is unclear.

An attempt to structure the quality control process seems to be interesting. This time we are talking about the PDCA cycle of E. Deming. If it is considered carefully, the circle mentioned above is nothing but a model of discussed above management of goals (goal setting – planning-review and rating – corrective action), provided that in this case the goal of customer satisfaction is considered with high quality products using the full volume regulation mechanism for deviations.

Thus, the process approach to quality management system is implemented through the development of internal standards, which are fixed requirements processes. A clear definition of their inputs and outputs provide traceability deviations and timely adjustments. However, all the attention is focused only on internal information and internal deviations of actual results from the planned once. In fact, the implementation of the process approach to TQM did not go further than allocation of a number of manufacturing processes and installation requirements for their inputs and outputs. An attempt to structure the process of management, in fact, corresponds to phases of planning and control, which are used in above considered concept of management by objectives and control.

Our analysis of modern management concepts, which in fact constitute a new paradigm of the process approach, suggests that the last one, unlike the traditional paradigm more fully realizes the idea of building inter-related processes in the organization. However, an attempt to distinguish stages of management planning and control in these concepts has no convincing justification. In addition, it is inappropriate to transfer terminology of function approach to the process – that cannot clearly identify the structural components of management.

All of the abovementioned leads to the following conclusions:

- there are two paradigms of the process approach in modern management;
- the contradiction of the traditional paradigm of the process approach is defined, its essence is that the requirement of a rational structure management process cannot be completed due to lack of a single warehouse management functionality, a single sequence of their execution and combination of features in the list of different nature elements. The contradiction defined gives reason to believe that to solve the problem structuring process management does not make sense to use the traditional paradigm. As far as it represents management as a chain of interrelated functions, it should be considered as functional approach;
- to modern concepts, which in fact create a new paradigm of the process approach should be included: reengineering of business processes, process management or process-oriented management, management by objectives and its modern modifications (BSC, performance pyramid, prism efficiency, etc.), controlling, total quality management. The current paradigm of the process approach, as opposed to traditional, represents the organization as a set of processes which can build a structure that will meet the requirements;

- we identified several shortcomings of modern concepts, among which the main ones are no theoretical justification attempts to distinguish the phases (phase) control (typically, planning and control); absence of formal description of the management process (inputs and outputs, components and methods of their implementation); inappropriateness of applying functional approach in terms of syllable management process. Because of the shortcomings identified a new paradigm of the process approach needs to be developed.

References

1. Meskon M. Principles of Management / M. Meskon, M. Albert, F. Hedouri. – M.: Case, 1992. – 702 p.
2. Young S. System Management of Organization / S. Young. – M.: Soviet Radio, 1972. – 456 p.
3. Vasilenko A. Management of sustainable development / A. V. Vasilenko. – Kyiv: Center of textbooks, 2005. – 648 p.
4. Gerasimov B. N. Organization Management: elements, functions, system / B. N. Gerasimov // Works of Metro Manila politehchnical university: SC. Sciences. – No. 3. – 2004. – Pp. 35–39.
5. Abdikeyev N. M. Business Process Reengineering / N. M. Abdikeyev, T. P. Danko, S. V. Ildemenov, A. D. Kiselev. – M.: Eksmo, 2005. – 592 p.
6. Eliferov V. G. Business processes: Regulation and Control / V. G. Eliferov, V. V. Repin. – M.: INFRA, 2004. – 319 p.
7. Tomal T. S. The effectiveness of business processes as a factor in the growth of its market value / T. S. Tomal // Modern problems of economics. – 2007. – No. 5 (71). – Pp. 139–147.
8. Shubin A. A. The process approach to management as a basis for the formation of a business interaction / A. A. Shubin // News of Economic Science of Ukraine. – 2009. – No. 1. – Pp. 171–174.
9. Raya A. P. Management by Objective in Theory and Practice // Southern Journal of Business. – 1968. – Vol. 2. – Pp. 11–20.
10. Performance Management / T. Saytalaynen, E. Voutilainen, P. Porene, I. H. Nissinen. – M.: Progress, 1991. – 319 p.
11. Mann R. Controlling for beginners / R. Mann, E. Mayer. G. Zhukov. – M.: Finance and Statistics, 1992. – 208 p.
12. Petrenko S. N. Controlling / S. N. Petrenko. – Center, 2003. – 328 p.
13. Peach G. Refinement of controlling content as a function of control and its support / G. Peach, E. Sherm // Problems of the theory and practice of management. – 2001. – No. 3.
14. The concept of controlling: Managerial Accounting. Reporting system. Budgeting / Horvath & Partners. – M.: Alpina Business Books, 2005. – 269 p.
15. D. Han. Value-oriented concept of controlling / D. Han, H. Hungenberg. – M.: Finance and statistics, 2005. – 928 p.
16. Chumachenko N. G. Business planning and controlling system / N. G. Chumachenko // News Khmelnytskyi National University: SC. Sciences. – 2005. – No. 5. – Pp. 10–16.

Summary

Two paradigms of the process approach to management are outlined. The basics of the traditional paradigm and their pros and cons are considered. The modern concepts of management are characterized. The components of the new paradigm of the process approach are outlined and their pluses and minuses are overviewed.

Keywords: the process approach, the structure of the management process, the concept of management.

JEL classification: M100

UD classification: 338:512

Date of acceptance: 27.11.2014.