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## Processes in multiple economic entities

### 1. Introduction

Both literature on the subject and business practices more and more often promote identifying processes in companies of various sizes and organisations which are not profit-oriented. It is undoubtedly caused by continually growing demands on the part of the clients, together with their more individualised needs, increasing competitive pressure, emerging competitors and dynamic development of ICTs including assorted programs for, among others, supporting decision-making processes. Nowadays, the listed, and many other, factors influence changes towards reorganisation of traditional functional systems into more flexible, process-based ones. As R. Kaplan and D. Norton point out, processes that take place within an organisation are to enable creating a value which is going to attract and keep clients from the target market segment as well as meet the shareholders' expectations about the financial results of the company (Kaplan, Norton 2001, p. 43). Thus processes should be properly designed, well-managed and constantly improved. As S. Nowosielski notices, when introducing a process-based approach to organisation, we must consider improving

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processes which is one of the elements of such approach (Nowosielski 2008, p. 57). There is also the increasing role and meaning of the internal client who receives the effects of work from other employees and organisational units, enhances them and hands over to next employees. The human factor is a vital element of the whole process.

The matter which the article focuses at comes down to the following questions: what processes does a collection of those carried out in a modern company comprise of?, what processes are undertaken in various types of multiple economic entities?, and, what changes happen in a process-based organisational structure?

The study aims at identifying processes carried out in various types of multiple economic entities<sup>1</sup>.

## 2. The nature of organisational processes

The term *process* in literature on the subject, similarly to many other terms from the field of management, does not have a uniform definition. The following definitions of the term only prove that. R. Managenelli and M. Klein define *process* as a sequence of interconnected actions which lead to converting all efforts into a product (Managenelli, Klein 1998, p.27). K. Perechuda describes *process* as a collection of simultaneous, conditional or sequential activities which lead to changing initial resources of the company into end results being a product or service (Perechuda 2000, p. 88). G. Rummler and A. Brache find *process* to be a sequence of actions designed to result in a product or service (Rummler, Brache 2000, p.75). R. Müller and P. Rupper define it as a chain of actions leading to creating a value corresponding to clients' demands (Müller, Rupper 2000, p. 21). It is thus safe to say that *processes* are simply sequences of actions (activities) which result in products or services. On the company level they have a number of characteristics. Such conclusion was reached by Sz. Cyfert and K. Krzakiewicz (Cyfert, Krzakiewicz 2006, p. 199) who state that processes within companies should be characterised by:

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1 A multiple economic entity consists of a parent company and subsidiaries of various legal and economic status. They form one economic unit that has its own goals and rules of functioning; it is also a management unit which imposes and enforces such rules. Own study based on (Koziański 1996, p. 7).

- a precisely determined goal which means creating value added for a client in its wider sense,
- a specific product which constitutes a result of the actions undertaken in the process,
- a process owner that is responsible for its outcome,
- clear boundaries defined by suppliers and consumers,
- a well-defined internal scope of activities within the process (standards, procedures, tasks or training requirements) which allows assigning responsibilities to specific jobs,
- an assessment system which allows to measure the effectiveness of a given process (costs, execution time, flexibility and quality of the process),
- a tendency to cross boundaries set by performed jobs,
- employees taking part in various processes at a time,
- recurrence which enables recording it in a form that allows reading its course by its performers.

Outsourcing and the concept of knowledge management have currently developed as part of processes on a broader scale. As M. Skrzypek and M. Hofman claim, the processes which are usually commissioned to other organisations are those that are connected with the core business of a company only to a lesser extent. The authors list processes of ensuring safety and protection of the property, institutional catering and providing supportive meals, cleaning processes and providing medical care for employees (Skrzypek, Hofman 2010, pp. 23-24). Additionally, M. Skrzypek and M. Hofman point out to processes that are connected with key processes to a greater extent and are subject to being identified. These include traffic management and repairs, the transport of materials and supplies to the company and products to the client, internal transport within a given company, records of economic events and reporting, providing infrastructure and IT services (Skrzypek, Hofman 2010, pp. 23-24). They are therefore processes that are very close to the core business, production, sales and services, and have a major impact on the quality of the whole organisational process and end product or service. Trying to find connections between processes and the concept of management, W.R. Bukowitz, R.L. Williams and M. Sarvary took an accurate stand on the matter. While defining the concept of knowledge management, the researchers pointed that it is a process thanks to which a given company generates profits from knowledge (Bukowitz, Williams 2000, p. 2) and that it is a process thanks to which companies create and use organisational or collective knowledge (Sarvary 1999, p. 95). As H.J. Schmelzer and W. Sesselmann observe, knowledge

is generated in the course of processes when clients' and processes' problems are being solved (Schmelzer, Sesselmann 2003, p. 19).

The next part of the study focuses on classifying processes and identifying those carried out in a modern company.

### 3. Processes in an organisation – an attempt at classification

Various processes that are carried out in companies alternate with each other creating a network of different bilateral contacts between employees, organisational units and external environment. It thus seems important to present their classification for the purpose of further discussion. Such classification is presented in table 1. Selected classifications have been used to present diverse criteria of categorisation used in academic writings.

**Table 1. Selected classifications of processes**

Author/Authors	Types of processes
J.G. Miller, T.E. Vollman	- logistical - regulatory - monitoring - informatory
R.S. Kaplan, R. Cooper	- innovative - operational - post-sales services (so-called necessary, relevant and irrelevant processes)
P. Grajewski	- intelligent - unintelligent
M. Porter	- basic - supporting

**Source:** own study based on Kaplan, Cooper 2001, p. 99; Miller, Vollman, 1985; Porter 1985, p.23; Grajewski 2012, p. 59

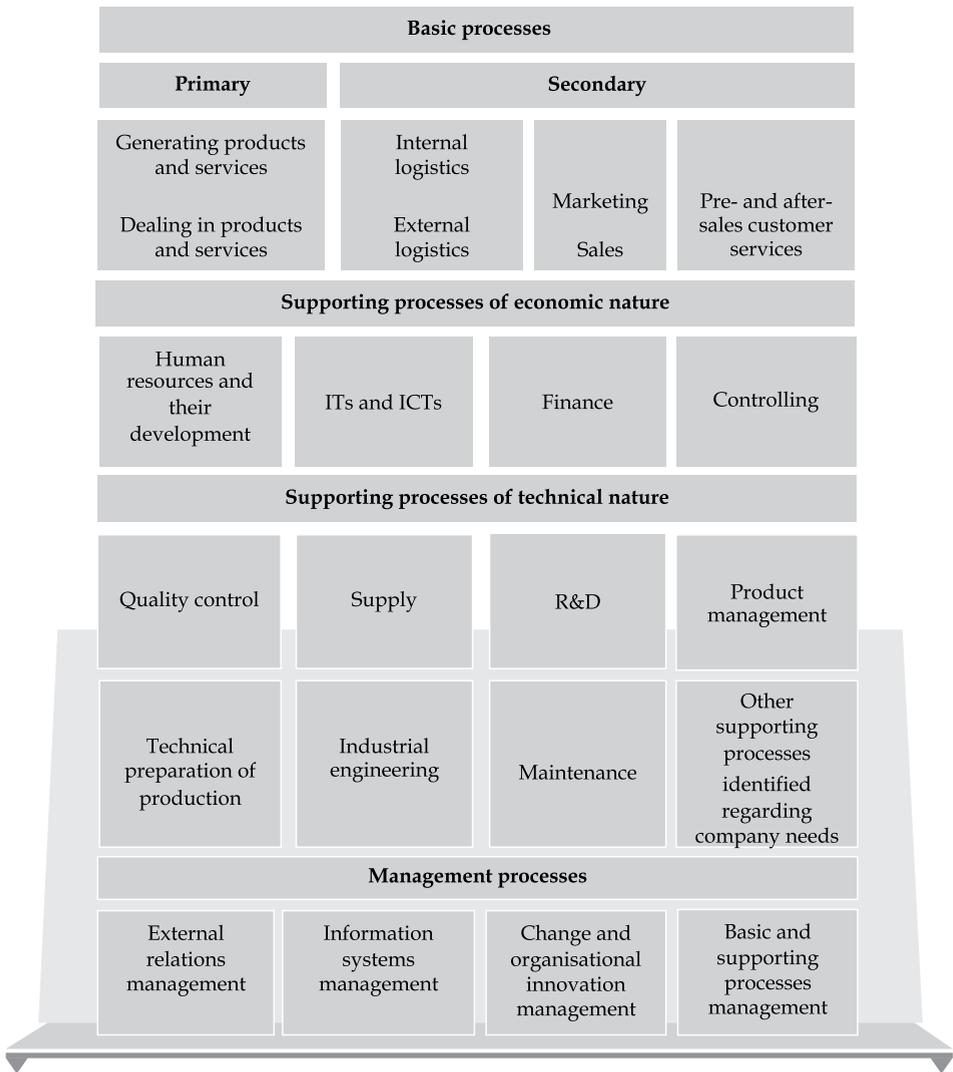
Most commonly, however, literature on the subject classifies processes (taking hierarchy criterion into consideration) into basic, supporting and management ones. It is thus a very clear and transparent division which corresponds to basic, supporting and management functions performed in a company. Their characterisation is presented in table 2.

**Table 2. Classification of processes**

Processes	Characteristics
Basic	<ul style="list-style-type: none"> <li>- directly generate value added</li> <li>- include: marketing, sales, designing new products, distribution</li> <li>- most easily noticed by the client who, taking them into consideration, judges the quality and efficiency with which a company operates</li> </ul>
Supporting	<ul style="list-style-type: none"> <li>- indirectly generate value added</li> <li>- include: storing, quality control of maintenance, recruitment and staff assessment, accounting</li> <li>- the client barely notices their quality which means that they do not influence public image to a great extent</li> </ul>
Management	<ul style="list-style-type: none"> <li>- they strategically influence the way of generating value added</li> <li>- they regulate basic and supporting processes</li> <li>- their main task is to determine mission, strategy and rules for the operation of the whole organisation including monitoring the effectiveness of processes</li> </ul>

Source: Grajewski 2012,p. 34

Based on various classifications of processes, especially when it comes to basic, supporting and management ones, the author aims at compiling a collection of processes carried out in a modern company regardless of its size, type and line of business, etc. Such understanding of the collection of processes is presented in figure 1. An accepted way of identifying individual elements as parts of groups of processes requires an additional comment. It is assumed that a company performs basic functions, which enable the company to 'live', and many other supporting functions necessary to handle the basic ones. By reason of that, individual functions were identified as part of basic and supporting processes, which corresponds to their division into basic and supporting. What is more, just like J.P. Womack and D.T. Jones did, it was assumed that economic processes cannot replace traditional functions as they are part of functions where functional knowledge is developed, systematised and implemented in the whole organisation (Womack, Jones 1994, pp. 93-103). By contrast, management processes go beyond the traditional system of functions in a company. P. Grajewski's description of such processes, quoted herein above, characterises them best as those having a strategic impact on the way value added is generated.



**Figure 1. Groups of processes carried out in a modern company**

Source: own study based on Brilman 2002, p. 288;  
C.B Stabell, O.D. Fjeldstand 1998, pp. 413 – 437; Porter 1985, p. 23

In economic practices, using a process-based approach (process-based orientation)<sup>2</sup> in the area of management may face a number of problems; some of them may be connected with:

- redesigning the organisation,
- changing organisational structure when it comes to the approach of the human factor to performed tasks,
- motivational system.

Furthermore, what is worth stressing, the complexity of organisational processes grows while using the concept of Business Process Reengineering, which assumes a radical change of economic processes<sup>3</sup>.

The next part of the study shall focus on one of the most vital problems which, undoubtedly, is redesigning organisation from a functional to process-based one.

Basic processes of primary nature include, among others, generating products and services, that is manufacturing processes which generate value added.

#### **4. Towards the process-based organisation**

Just by changing the orientation of the company from functions to processes, it complements the static view of the organisation (so-called structural management) with the dynamic one (so-called process-based management). It facilitates the growth in flexibility and susceptibility to changes of the whole organisation (Nowosielski, p. 59). The shift from functional to process-based organisation involves identifying and designing processes, creating a system to assess how effective the processes are, acquainting the staff<sup>4</sup> with the new approach to the final result of actions; broadly speaking, redesigning the whole organisation. As a result, in economic practices, right next to a traditional functional system, there is the plan of process-based organisation which, with time, includes more and more areas of the company. As E. Skrzypek and M. Hofman claim, maintaining both functional and process-based organisation causes:

- competition between functional and process-based parts for resources,

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2 According to S. Nowosielski, a process approach is also called a process orientation. See: (Nowosielski 2008, p. 58).

3 See: (Hammer, Champy 2001, p. 34).

4 Building a process-based culture is, in itself, a long-term and complex process.

- under-appreciation of the meaning of processes and their contribution to implementing strategies,
- a possible increase in the costs of operating the company, caused by low effectiveness of such solution,
- difficulties in building a coherent motivational system (Skrzypek, Hofman 2010, p. 202).

When it comes to the matter discussed herein, P. Grajewski arrived at an interesting conclusion, pointing out characteristics of the structure in the context of both functional and process-based organisation. They are presented in table 3.

**Table 3. Transition from functional to process-based organisation**

Characteristics of the structure	Functional organisation	Process-based organisation
Specialisation	Identified functions as a basis for grouping units Improving skills as part of making limited-scope operations uniform	Economic processes as a basis for creating interdisciplinary teams Improving relevant interdisciplinary skills
Hierarchy	Formal, multi-level governance Power relations dominating over sympathy Actual responsibility - difficult to determine	Horizontal relations dominating over hierarchical ones The owner of the process replaces the former manager in their coordinating function Responsibility for actual results of work, the degree to which demands have been met (client satisfaction)
Centralisation	Decision-making competence connected with the formal hierarchical position the whole picture – on the top of the pyramid of authority Employees' activity directed at operations in keeping with established procedures	Delegating authority to those managing the processes Independence of executors in creating the architecture of processes Employees' activity directed at searching for effective processes of execution
Formalisation	A relatively long ossification of the rules of operation connected with high costs of changes	A way of introducing changes is adjusted to the situation which means client needs that are possible to satisfy

Source: Grajewski 2003, p. 241

The feature of centralisation is particularly worth noticing. In traditional functional systems, independence in decision making on the part of the managers of individual organisational units, identified on the basis of the functional criterion, is easier to control by the top management of a given company. It usually means that they can, to a greater or lesser extent, limit such independence or, in other words, interfere with its degree not disturbing 'de facto' the architecture of the company. In process-based organisation it is particularly important to engage not only the manager of the process or sub-processes, but also individual participants of such processes to improve or redesign them. This, on the other hand, means granting such participants more autonomy. It is important because, in comparison with functional organisation, in process-based organisation, intellectual capacity of the team and the importance of work teams increase, creativity of the staff is triggered and specialised over-functional knowledge is developed.

The issues that were presented in the previous parts of the study will serve as basis for drawing up possible locations of processes in different types of multiple economic entities. The next part of the article shall deliberate on that.

## **5. Locations at which processes in multiple economic entities are carried out**

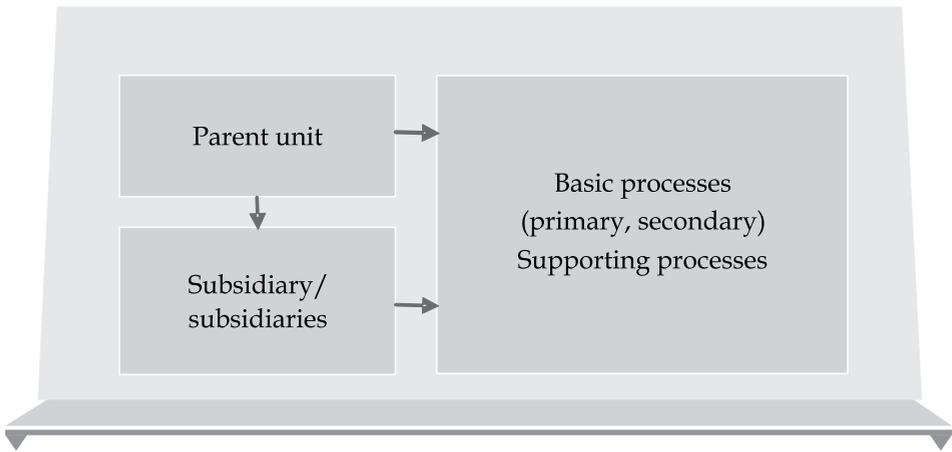
A multiple economic entity is an architecturally complex economic unit which consists of a parent company and subsidiaries. A parent unit, due to its position in the group, interferes with the scope of functions and processes carried out on the level of subsidiaries.

In comparison with a 'classic company', the notion of processes in this kind of economic entity, undoubtedly has a wider aspect, is more complex and complicated. It undeniably results from the fact that processes are carried out not only on the level of an internal economic unit, for instance on the level of a parent unit or subsidiary (subsidiaries) where each and every one of them carries out processes to satisfy their own needs. Quite commonly, many processes are carried out jointly both by a parent unit and subsidiaries. In such instance, the network between individual units of a multiple economic entity gets denser. At the same time, the level of complexity of organisational problems grows. What is more, if implementing a process-based orientation, in economic units of a functional structure, the structures of many units which take part in a process/processes are redesigned.

A collection of processes carried out in a modern company have already been discussed in this study and it can be applied to multiple economic entities.

Yet determining which processes shall be carried out in the structure of such entity depends on the type of the economic unit. They shall be briefly described herein.<sup>5</sup>

In a multiple economic entity of the operational type (figure 2), subsidiaries support the core business of the parent unit. All processes are carried out both on the level of a parent unit and subsidiaries. Yet basic processes of complementary nature are carried out to a greater extent in a parent unit than in a subsidiary.



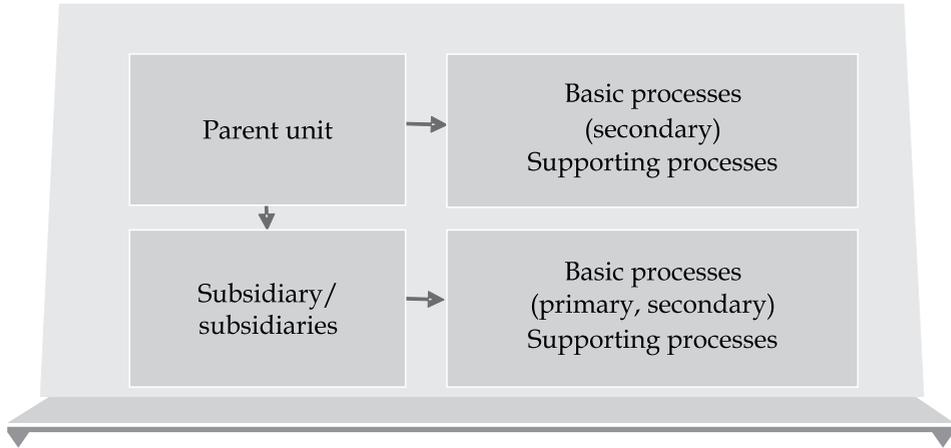
**Figure 2. Processes in a multiple economic entity of the operational type**

Source: own study

In a multiple economic entity of the managerial type (figure 3) there are only basic, supporting and management processes of complementary nature on the level of the parent unit. Such unit does not conduct its own commercial operations. Therefore, it does not carry out the primary basic process. The situation is yet different in subsidiaries where there are strong horizontal relations between them. Such relations result from broad cooperation in, for example, manufacturing and selling the finished product. This, on the other

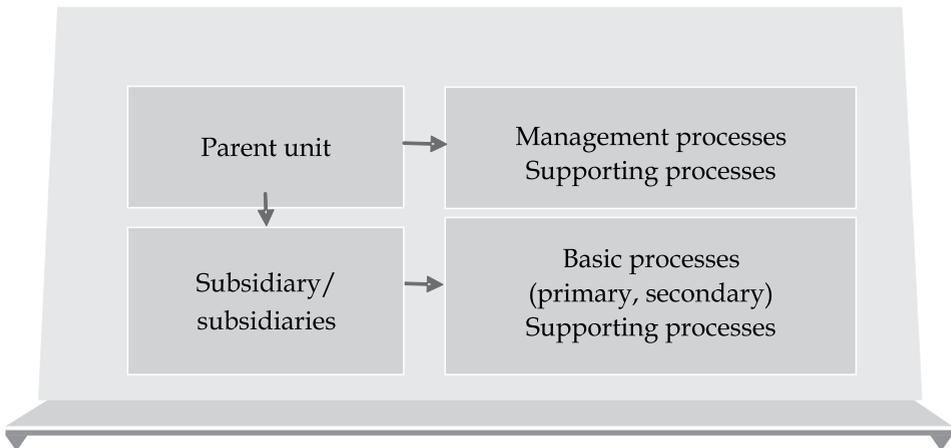
<sup>5</sup> The location of basic, supporting and management processes in various types of multiple economic entities, presented in this part of the study, is an original proposal relating to how they should be distributed in multiple economic entities. Variants for the location of processes shown in pictures 2, 3 and 4 are of sample (postulatory) character.

hand, translates to the multitude of processes between units and a dense cooperation network between them.



**Figure 3. Processes in a multiple economic entity of the managerial type**

Source: own study



**Figure 4. Processes in a multiple economic entity of the financial type**

Source: own study

In the last type of multiple economic entities, of the financial type (figure 4), only management and supporting processes of financial nature are carried out on the parent unit level. On the subsidiary level, there are no operational relations between individual units of the group. Thus, there are no inter-organisational processes not only between subsidiaries, but also between them and the parent unit. However, there is a number of processes that are carried out as part of autonomous structures of individual internal economic units.

## 6. Conclusion

The notion of processes, outlined in the study, is particularly important in multiple economic entities. On the one hand, every internal economic unit carries out a number of individual processes to meet their own needs. On the other hand, though, the units take part in many processes that are carried out inside a multiple economic entity. What needs to be emphasised, when analysing groups of processes, is that how often given processes occur depends on the type of the multiple economic entity. The herein mentioned, symbolic ways of locating basic, supporting and management processes in various types of multiple economic entities, do not exhaust the topic of this study. They indicate, however, many areas which should be considered in further theoretical and empirical research.

## Summary

### Processes in multiple economic entities

The article is an attempt at identifying processes carried out in various types of multiple economic entities. It presents a collection of processes which includes basic, supporting and management ones, and which shows the very essence and classification of these. The notion of redesigning organisation from a functional to process-based one has also been stressed. The final part of the study presents the location at which processes are carried out in various types of multiple economic entities. The article is of theoretical nature and its content is the subject of empirical research which aims at identifying the collection of processes carried out in such big and complex economic entities.

**Key words:** *process, multiple economic entity, parent unit, subsidiary.*

## Streszczenie

### Procesy w wielocłonowych podmiotach gospodarczych

W artykule za cel przyjęto próbę zidentyfikowania procesów realizowanych w różnych typach wielocłonowych podmiotów gospodarczych. Ukazując istotę procesów i wybrane ich klasyfikacje, opracowano zbiór procesów składający się z procesów podstawowych, wspierających i zarządczych. Zwrócono także uwagę na kwestie związane z przeprojektowaniem organizacji funkcjonalnej na procesową. W części końcowej opracowania przedstawiono miejsce realizacji procesów uwzględniając różne typy wielocłonowego podmiotu gospodarczego. Artykuł ma charakter teoretyczny a zawarte w nim treści stanowią przedmiot prowadzonych badań empirycznych mających na celu zidentyfikowanie zbioru procesów realizowanych w tak dużych i złożonych organizmach gospodarczych.

## Słowa

**kluczowe:** *proces, wielocłonowy podmiot gospodarczy, jednostka nadrzędna, jednostka zależna.*

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