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MASTER THESIS

BE307E

Entrepreneurship & Innovation Management

**How BPM model works in Russia? An example of a big
retail company?**

Case study of St.Peterburg Dom Knigi LLC

By

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Abstract

The aim of this study is to identify the particular features of BPM and its implementing in modern Russia on an example of a big retail company St.Peterburg Dom Knigi LLC.

BPM emergence could be described as integration of all possible advantages from different approaches which were described and implemented before, which had process orientation as a main idea. As a result BPM emerged like a possible tool, which can help companies to organize managerial system in a way to improve organizational performance.

Aalst et al. (2003) offers good BPM definition -“BPM is supporting business processes using methods, techniques and software to design, enact, control and analyze operational processes involving humans, organizations, applications, documents and other sources of information” – and Hammer (2010): BPM is an integrated system for managing business performance by managing end to end business processes.

The economic situation in modern Russia is caused by the transition period from Soviet Union economy into the current market economy. However, such features as power distance, total control and bureaucracy stayed without change. All these factors prevent Russian companies from modern development and switching to modern IT technology implementation.

St.Peterburg Dom Knigi LLC is the largest book store in Saint-Petersburg (Russia) and one of the largest ones in Europe. Its history goes back to 1918.

Dom Knigi’s BPM model is quite typical since the company was formed in the times of Soviet Union economy and still works on that standards. A new BMP model is offered.

My research concludes that business process management even though has a potential to be a very successful and innovative tool, which allows organizations to gain competitive advantage, it is still has a long way to be considered so. Starting point should be taken from developing strong unified theoretical basis and them gradual implementation with constant ongoing monitoring of the results.

Preface

This master thesis is the final part of my Master's degree at Bodø Graduate School of Business. This paper is a logical continuance of my project work made during my specialization course of Entrepreneurship and Innovation management. The topic of my Master Thesis is ***How BPM model works in Russia? An example of a big retail company? Case study of St.Peterburg Dom Knigi LLC.***

I will explain the reason of choosing this topic further. Business Process Management phenomena is not a new topic for research. Despite the fact that many different descriptions were given, the theoretical base of it is quite unstable. Since Norwegian researchers and youth don't have direct access to Russian education and economic sphere, I would like to gain my experience and knowledge gathered during the process of researching Business Process Management phenomena.

The process of writing this study was very interesting and valuable for me because I have learnt much: theoretical knowledge; got practical experience, analyzing and interpreting different data, making prospects, gaining new networks.

I would like to thank my friend and colleague Ekaterina Koveshnikova, the graduate of University of Nordland for her help and feedback along the way, because she helped me to structure the thesis and share her experience in the theory and practice of BPM. Ekaterina worked in St.Peterburg Dom Knigi LLC for some time and was my informant.

Bodø, May, 20 2014

Kirill Cheprak

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Summary

The aim of this study is to identify the particular features of BPM and its implementing in modern Russia on an example of a big retail company St.Peterburg Dom Knigi LLC.

The theory basis is partly consisted of academic theory taken from such academic papers like Segatto et al., 2013; Viane et al., 2010; Vom Brocke & Rosenmann, 2010, Houy et al. (2010) and Hill et al. (2008), The data used, analyzed and interpreted, by taken in the form of books, papers, articles, thesis and other form of research studies.

I took the position Van der Aalst et al. (2003) concerning the the definition of BPM: “BPM is supporting business processes using methods, techniques and software to design, enact, control and analyze operational processes involving humans, organizations, applications, documents and other sources of information”.

When it comes to BPM framework and essential elements it was suggested by Rosemann and vom Brocke (2010) that there are six core elements of BPM: strategic alignment, governance, methods, information technology, people, and culture.

BPM, which is increasingly referred as a new synthesis, embraces all three business process traditions, from which it emerged from: IT tradition, management tradition; quality control tradition (Harmon, 2010).

Before considering the real case study of BPM implementation in Russia in an example of a retail company I focused the Russian economic situation at least and discovered information about BPM development in the Russian perspective.

Analyzing BPM literature I can definitely say that even though many authors present it as a panacea from different managerial and business problems it is still looks like a fluke, which is doomed to fail at this point of time. In order to be successful it looks like there are huge amount of conditions should be met. And even if so it is still not a fact that some advantages could be gained from BPM. Research shows that even amongst well-structured IT projects only 20% of them finish on time. When it comes to BPM projects, the failure rate is even higher due to the immaturity of the technology and scope of the implementation.

All of conditions as well-organized architecture, well organized communication, executive management support, business and IT alignment and thorough testing. Making the goal of implementing BPM in the organization is a very difficult, almost impossible mission to

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accomplish, because many of these issues are tough to deal with, especially when you need to deal with all of them at the same time.

Dom Knigi company is quite an old organization in the book retail market with its both strengths and serious weaknesses in business process management model of the company. In this Master Thesis I will focus on people and technological development and Enterprise architecture of the company, coordination between departments and perspectives of company growth. Ekaterina Koveshnikova is a former employee of Dom Knigi who worked in different departments of the company on the position of sales manager, content manager and PC operator. This experience allowed communicating with colleagues from different sectors in the company and finding out real problems arisen. This case will help Norwegians to get an idea how a typical retail business in Russia is driven and use this experience for future research of BPM phenomena.

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1. Introduction

The topic of this thesis is How BPM model works in Russia. The case of a big book retail Russian company is considered.

The topic is very actual and important since not much research was made about Business Process Management not even in Russia or Norway but generally. Many theoretical frameworks were suggested but no universal one was offered. One of the aims of this work is just to offer a more objective theoretical framework of Business Process Management model and show how practice suits theory on an example of a Russian company.

The main research question of the study “**How BPM model works?**” is sub divided into smaller research questions, given in the logical order to make the analysis logical, narrative and beneficial. The sub research questions are written below:

- *How BPM emerged as innovative management control tool?*
- *Whether and why BPM is considered an innovative tool for management systems?*
- *How BPM model works in Russia?*
- *Does and how Russian economic and cultural features influence BPM model?*

I used the academic resources, serious research papers to explore the theory and as well as papers of my colleague and interviewee Ekaterina Koveshnikova. She helped me during my writing of this thesis and shared her knowledge, experience and research materials to use.

The method of research design I used in this paper is qualitative analysis. I used case design method. (explorative and descriptive) All the data is relevant. All the references are given. In-depth interview was used together with analysis and usage of secondary data – Ekaterina’s papers concerning Dom Knigi since she is the former employee of Dom Knigi and was glad to help me with my research.

The structure of the thesis is quite strict and simple – theoretical frameworks are given in the literature review part, then economic situation of Russia is considered, then the methodology section is presented, that is followed by the results part where practice is considered – current

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Business Process Management model of St. Petersburg Dom Knigi. The future model is presented next together with the conclusions and implication part.

The main issues faced were that there too many different theoretical frameworks and definitions of what Business Process Management actually is. Since no objective picture has been distinguished up today, it was very difficult to take any framework as a basis. Another issue faced since only one case (company) is considered. It is impossible to make any assumptions based on a single example. But I hope that this study will give a push to further develop and research BPM phenomena, especially in Russia and Norway as two trading countries and coordinating in the education sphere.

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2. Literature review

This literature review part of the thesis gives a theoretical picture of what business process management (BPM) is and an attempt to understand whether it could be considered as innovative tool in the hands of managers. The management challenges of the modern world pressure organizational management to search for new tools and better managerial approaches. Business processes provide an activity-based view on organizations. I elaborate on how BPM and, in particular, on pros and cons of BPM as innovative managerial tool.

The proposed study aims to contribute to the growing body of research in the field of innovation in management. The knowledge gap caused by the inconsistencies in the literature will be addressed, by focusing on BPM's' origin and role as a management tool. Issues connected to BPM effectiveness and efficiency are addressed.

2.1. BPM background

Recently business process management (BPM) is receiving increased attention as innovative managerial tool (Segatto et al., 2013; Viane et al., 2010; Vom Brocke & Rosenmann, 2010). Companies are entering more complex business relations inside and outside of the organizational boundaries and in dire need of new tools and approaches, which will allow them to cope with the associated issues (Segatto et al., 2013; Trkman, 2010; Viane et al., 2010). In the business context, BPM is an increasingly used tool for managing process-oriented organizations (Segatto et al., 2013; Trkman, 2010; Vom Brocke & Rosenmann, 2010). In this project paper, business process is defined as a structured measured set of activities which altogether, have a specific, defined purpose (Elzinga, 1999).

Many companies in the global economy face difficult task environments with high complexity and other aggravating factors such as turbulence and hostility. The task environment may vary according to interdependence of organizations and environments, the scarcity and competition for resources, and degree of change (Ren et al., 2010). Increased complexity and turbulence makes coordination and control of the business processes, which are included in a

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value system, more challenging. According to Porter (1985) and Carson et al. (1999), a value system is made up from the activities and firms that create and deliver value to the end consumer.

It is very challenging for managers to tackle threats and seize new opportunities when there is an intensive price competition and low margins. Thus another important aspect of the management of business processes, which could help to gain competitive advantage, is business innovation (Jensen & Randøy, 2006).

Thus, enterprises have to react to the raised innovation pressure. In order to survive and prosper under such conditions companies have to continuously improve both their cost-efficiency and quality. In other words, they need to innovate. As a result, sufficient emphasis should be laid on the creation and development of management tools and approaches that emphasize efficiency, quality and innovation (Chesbrough, 2010; Ostenwalder et al., 2005).

According to Hammer (2010) and Harmon (2010), BPM could be an appropriate management tool for these high complexity situations. BPM is a process-oriented management discipline (Hill et al., 2008). BPM is about “supporting business processes using methods, techniques and software to design, enact, control and analyze operational processes involving humans, organizations, applications, documents and other sources of information” (van det Aalst et al., 2003; cited in Ko et al., 2009). In the literature, dedicated to the BPM, is stressing the value creating process management and firm’s innovative activities (vom Brocke & Rosenmann, 2010).

Thus there are two research questions addressed in this part:

- How BPM emerged as innovative management control tool?
- Whether and why BPM is considered an innovative tool for management systems?

Even though there are a lot of recent studies on BPM, there is a need to understand why there are so many inconsistencies in the research on this topic. With this in mind, this research seeks to contribute to knowledge about understanding BPM concept. This part will be based on review of recent research articles and books.

The structure of this literature review is as follows: after the BPM background, the theoretical framework section will be presented. Afterwards discussion with the reference to the theory on the given topic will be given. The final section will be a short summary of this part.

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2.2. Theoretical framework

2.2.1. Background

Topic on innovative managerial systems and their implementation was always a hot topic. According to Segatto (2013) and Skrinjar and Trkman (2013), in complex organizational environments in a global economy structured decision-making procedures with reductionist and linear characteristics cannot deal with the managerial complexity. Therefore, new managerial tools and approaches are needed to allow organizations to grow and increase their competitiveness and capacity for value creation.

The search for more efficiency has led organizations to review the managerial approach based on cross-functional activities which can be integrated and measured for value generation. Process thinking is one of them. One of the main issues is centered on the implementation of process principles into an organization's operations. Understanding of how to structure management around processes is only just beginning to be understood by researchers. Some old studies (Al-Mashari & Zairi, 1999) show that management approaches based on process management fail to bring better performance in most cases. There were polemics on the fact that implementation process was incorrect (Al-Mashari & Zairi, 1999) or that theoretical basis is in underdeveloped condition (Lindsay et al., 2003). Now more recent studies (Hammer, 2010; Harmon, 2010) show that new business process management as a tool could be a much better version of the previous attempts to provide organizations with a good systematic process-oriented approach.

Thus, examination of business process management as an innovative managerial tool, in the lights of new changes in the theoretical basis (Hammer, 2010; Harmon, 2010), is of primary interest is of primary interest for the researchers to study.

2.2.2. Understanding business process management

So, what is actually business process management (BPM)? According to Houy et al. (2010) and Hill et al. (2008) BPM is centered on business processes and emphasizes how firms through business processes can achieve their goals. What is exactly business process? In their book Elzinga et al. (1999) make discussion about definition of what is business process. "The

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concept of a business process is used to understand the complex interactions that are necessary between the many different elements of an organization to meet intended objectives. A number of definitions of a business process have been provided (Davenport, 1993; Harrington, 1992; Rummler and Brache, 1990; cited in Elzinga, 1999) which generally take a similar form: A process is simply a structured, measured set of activities designed to produce a specified output for a particular customer or market (Davenport, 1993)” (Elzinga et al., 1999). Summing up the discussion, Elzinga et al. (1999) claim that “business process is a structured measured set of activities which collectively have a defined purpose”.

Hammer (2010) stresses that the more process is well-defined, the better for its further execution. “By focusing on and designing end-to-end processes that transcend organizational boundaries, companies can drive out the nonvalue-adding overhead that accumulates at these boundaries. Through process management an enterprise can assure that its processes deliver on their promise and operate consistently on the level on which they are capable. Through process management, an enterprise can determine when a process no longer meets its needs and those of its customers and so needs to be replaced” (Hammer, 2010, p.7).

Now that we overview what is business process we need to discuss what is BPM? Again many researchers tried to define what BPM really is. One of the first attempts was by Elzinga et al. (1995) which state that BPM is a systematic, structured tool to analyze, improve, control, and manage processes with the aim of improving the quality of products and services. Later more elaborated version was given by van der Aalst et al. (2003), which special focus on what BPM is for: “BPM is supporting business processes using methods, techniques and software to design, enact, control and analyze operational processes involving humans, organizations, applications, documents and other sources of information”. One of the most recent definitions was given by Hammer (2010): BPM is an integrated system for managing business performance by managing end to end business processes. All these definitions supplement each other to some extent, which shows the increasing amount of research on the topic and how BPM grow by absorbing more and more areas in it.

When it comes to BPM framework and essential elements it was suggested by Rosemann and vom Brocke (2010) that there are six core elements of BPM: strategic alignment, governance, methods, information technology, people, and culture.

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Table 2.2.2. Six critical success factors

Factors	Capabilities areas				
Strategic alignment	Process improvement planning	Strategy & process capability linkage	Enterprise Process Architecture	Process Measures	Process Customers & Stakeholders
Governance	Process management decision making	Process roles and responsibilities	Process metrics & performance linkage	Process related standards	Process management compliance
Methods	Process design & modeling	Process implementation & execution	Process monitoring & control	Process improvement & innovation	Process program & project management
Information technology	Process design & modeling	Process implementation & execution	Process monitoring & control	Process improvement & innovation	Process program & project management
People	Process skills & expertise	Process management knowledge	Process education	Process collaboration	Process management leaders
Culture	Responsiveness to process change	Process values & beliefs	Process attitude & behaviors	Leadership attention to process	Process management social networks

Now that we, to some extent, defined what BPM is, we need to understand the emergence of this tool in the toolbox of organizational management.

2.2.3. Business process management in historical perspective

BPM, which is increasingly referred as a new synthesis, embraces all three business process traditions, from which it emerged from: IT tradition, management tradition; quality control tradition (Harmon, 2010). In his work Harmon (2010) analyzed the evolution of BPM concept (Figure 2.1) and he claims that each of these traditions has approaches, which gave birth

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to process way of thinking and as a result considered the first steps towards modern day's concept of BPM:

- Quality control tradition focuses on the quality and the production of product. Quality control tradition is mostly known for such managerial approach as Total Quality Management, Six Sigma and Lean. All these approaches reach a big popularity among managers all around the globe. One of the most recent once is Lean Six Sigma. If one considers all of the individuals working in companies who are focused on quality control, it is possible to say that constitute the largest body of practitioners working for process improvement today.
- Management tradition is focused on the overall performance of the firm. The most of the emphasis is on aligning strategy, with the means of realizing that strategy, and on organizing and managing employees to achieve corporate goals. At the source of management tradition we can find Porter's Value Chains. A little bit later Balanced Scorecards approach appeared, which also received a lot of attention and still used in many companies.
- The third tradition, particularly IT Tradition, involves the use of computers and software applications to automate work processes. IT tradition is not that well known in the managerial circles. The most known is business process reengineering (BPR) and IT Architectures. The most recent one is Enterprise Architectures approach.

If we will speak about which tradition or maybe even approach stood at the source of BPM then it is possible to say that there is no unified opinion on that question. BPM, widely speaking, is part of a tradition that is now for several decades aims at improving the way business people think about what is the best way to manage their businesses. Its particular manifestations, whether they are termed "Total Quality Management", "Six Sigma" or "Business Process Reengineering"

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may come and go, but the underlying impulse is to shift the way managers and employees think about the organization of business. According to Hammer (2010), concept of BPM emerged as comprehensive system for managing and transforming organizational operations, and arguably considered as a first set of new ideas since the Industrial Revolution. Ideally it involves all possible advantages from all three traditions in order to bring the best possible features in the BPM.

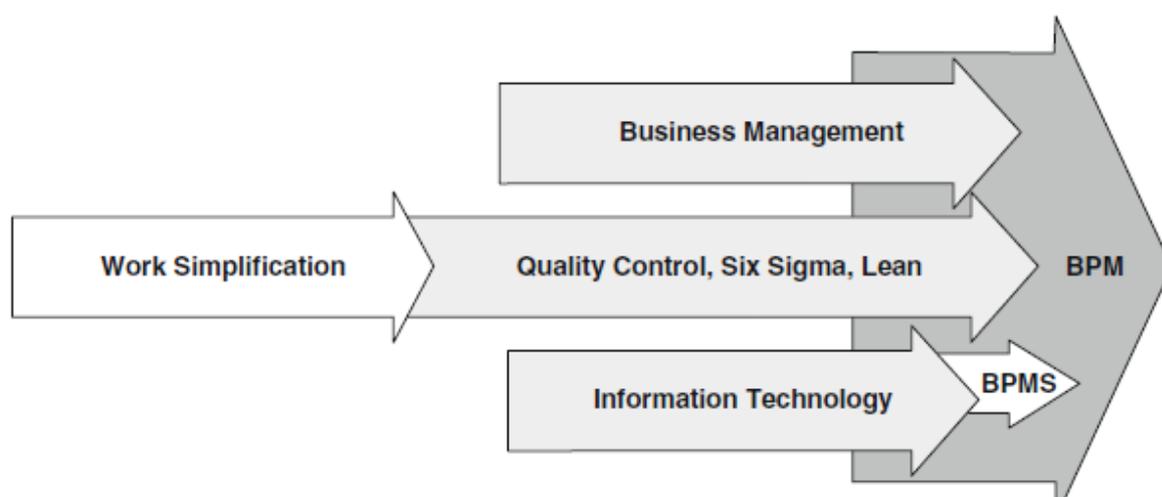


Figure 2.2.3. An overview of approaches to business process change

In his recent work Harmon (2010) claims that there are three levels in BPM: enterprise level, business process level and implementation level (Figure 2.2.3). “At the Enterprise Level organizations seek to organize their processes across the entire enterprise, aligning processes with strategies and defining process governance and measurement systems for the entire organization. At the Process Level, organizations are exploring a wide variety of new approaches to process analysis and redesign, and at the Implementation Level new technologies are evolving to support process work” (Harmon, 2010, p.53). Organizations with low level of maturity mostly focus on one level, but the more mature they become in managing their processes, the more it is possible to see how they are working on all three level at the same time. While companies increasingly seek an integrated approach to process, some of the initiatives at each level emerged from only one of the traditions and, as a result, it is possible to see the evolution of approaches, as they start to combine elements of more than just one tradition (Harmon, 2010).

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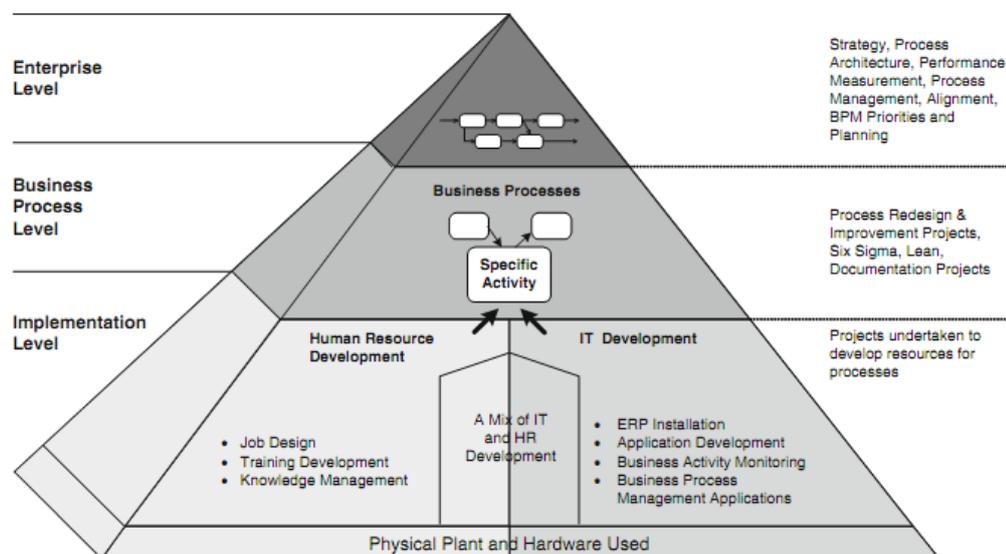


Figure 2.2.3.1. The business process trends pyramid

Recent research on BPM (Hammer, 2010; Harmon, 2010) claim that by applying innovative BPM it is possible to create high-performance processes, which can operate with much lower costs faster speed, greater accuracy, reduced assets, and enhanced flexibility, which is an important strategic benefit in the modern world of constant and rapid changes.

2.2.4. Business process management and innovative management control systems

We already discussed what BPM is. Now we need to understand what is innovative management control system? We will start from defining the term “management control system” (MC). There are various definitions, which have been formulated and differences between them reflect the selection of theoretical approach to the question of what is management control. We can observe the differences by looking at some of the definitions:

- ❖ “Management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives” (Anthony, 1965).
- ❖ “Management control is a social process in a social or maybe socio-technical system” (Hofstede, 1978).

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- ❖ “Management control refers to all organizational arrangements, formal and informal, designed to accomplish organizational objectives. It includes formal structure, operational controls, rewards, budgeting, planning and other similar activities” (Ansari and Bell, 1991).
- ❖ “Management control is the process by which managers influence other members of the organizations to implement the organization’s strategies” (Anthony and Govindarajan, 2001).

If we concentrate on the differences between these definitions we can observe that, for instance, Anthony in his early definition makes emphasis that “managers assure”, but in his latest definition he stresses used “management influence” instead. In turn, Hofstede (1978) considers the control process as a social process and Ansari and Bell (1991) include formal and informal aspects in this process (Dahlgard-Park, 2008). Merchant and Otley (2007) tried to combine many previously formulated definitions by other researchers arguing in their conceptualizations that “almost everything in the organizations is included as a part of the overall control systems”, because with each new definition authors of many books and articles include more and more of different aspects in this term, depending on the approach researcher takes. That means that management control includes a lot of elements.

Now we turn to the term “innovation”. In recent years a language some words became so popular and used so often, but with very little understanding and clarity. Innovation is just one of these words. It is possible to claim that definition of innovation is one of the hottest topics. So many definitions have been given it is easy to be confused. Here is a small summary of the definitions.

Table 2.2.4. Definitions of innovation

Author	Definition
Freeman (1982)	“Industrial innovation includes the technical, design, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product or

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	the first commercial use of a new (or improved) process or equipment”
Drucker (1985)	“Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service”
Albury (2005)	“Successful innovation is the creation and implementation of new processes, products, services and methods of delivery which result in significant improvements in outcomes, efficiency, effectiveness or quality”
Hartley (2006; cited Eveleens, 2010)	“Innovation is the successful development, implementation and use of new or structurally improved products, processes, services or organizational forms”

One of the first definitions was given by Schumpeter (1934). He associated it with economic development and proposed that it could be considered as a new combination of productive resources. His also included five specific areas: introduction of new products, new production methods, exploration of new markets, conquering of new sources of supply and new ways of organizing business. In the last 40 years there have been significant changes in the perception of innovation. In 1950s, innovation was considered to be a discrete development resulting from studies carried out by isolated researchers. Later works of other authors (Urabe, 1988; Afuah, 1998; Mc Dermott and O'Connor, 2002) have outlined other aspects of innovation, particular final consumer of innovative goods or services as well as the innovation process (Hidalgo & Albors, 2008). One of the most interesting things is that Schumpeter (1934) stressed that only when both technology and business are involved it could be considered as an innovation.

Abernathy (1978) in his work stated that “the predominant mode of innovation shifts from radical product innovation to incremental innovation, and process innovation increases in relative importance to product innovation” (Abernathy, 1978, p.71). Radical innovation implies major changes; whereas incremental innovation implies minor changes (Urabe et al., 1988). In their

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work Urabe et al. (1988) the existence of two patterns: radical product innovation and incremental process innovation. Both Abernathy (1978) and Urabe et al. (1988) in their works acknowledged that radical product is prevailing on the early stages of organizational development. In turn, process innovation is prevailing when it comes to highly structured, mechanistic, bureaucratic type of organization with attendant job specification procedures, more mature organizations, when there is necessity to achieve competitive advantage.

They argued that process innovation becomes more and more popular, in comparison to an old radical product innovation. And that was in 1988. And, as we have already seen from the previous sections, in 1990 predecessors of BPM, such as BPR and TQM, started to receive rapid popularity.

2.2.5. Implementation of BPM and its predecessors

Before starting to discuss BPM's implementation it is interesting to see to what extent implementation of BPM's predecessors was successful. One of the mostly mentioned by researchers as predecessor of BPM is business process reengineering (BPR) (Al-Mashari & Zairi, 1999). After publications of the basic concepts of BPR by Hammer (1990) and Davenport and Short (1990), it was reported by many organizations about benefits gained from the successful implementation of this approach. Among them were such companies like Ford Motor Co., CIGNA, Wal-Mart and many others.

But there were also a lot of firms who were no sharing optimism with earlier mentioned organizations, despite the significant growth of the BPR concept popularity. In their work Hammer and Champy (1993) estimate that 70 percent of all studied organizations do not achieve the dramatic results they seek. BPR became of the headaches for managers and a constant issue for information systems, which was caused by the fact that executives had failed to properly implement BPR and acquire all the possible benefits (Alter, 1994).

This mixture of results made it clear that there are some clear issues with implementation of BPR. Even though BPR has great potential for increasing productivity through reduced process time and cost, improved quality, and greater customer satisfaction, but it often requires a

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fundamental organizational change. Thus, the implementation process is complex, and needs to a great deal of attention (Al-Mashari & Zairi, 1999).

The other widely mentioned approach which considered being of huge influence on the BPM emergence is TQM (Pritchard & Armistead, 1999). It has been widely implemented throughout the world. A lot of companies came to conclusion that TQM implementation can improve their chances to receive competitive advantage (Zhihai, 2001). There are many studies that show that the adoption of TQM can allow firms to compete globally (Easton, 1993; Handfield, 1993; Hendricks and Singhal, 1996; cited in Zhihai, 2001). Up to 90% improvement rate in employee relations, operating procedures, customer satisfaction, and financial performance is achieved due to successful TQM implementation was also observed in these studies.

More modest results were shown in other research works which reported that TQM implementation has led to improvements in quality, productivity, and competitiveness in only 20-30% of the firms that have implemented it (Benson, 1993; Zhihai, 2001).

As there are a lot of optimistic results, there is also a lot of skepticism. According to Burrows (1992) there is 95% failure rate for initiated TQM implementation programs. In their works, Eskildson (1994) and Tornow and Wiley (1991) reported that TQM implementation has uncertain or even negative effects on performance. Thus, conflicting research findings have been reported concerning the effects of TQM implementation on overall business performance (Zhihai, 2001).

So after going through all the important theoretical information it is time to turn to the analysis and discussion of all the acquired knowledge in order to receive answers or at least understand some main points on our research questions.

2.3. Discussion

2.3.1. Understanding BPM – are we?

So, we reviewed the different definitions of BPM. But does it possible to understand what BPM really is? Going through different definitions of BPM it is possible to see that even though the main concept is more or less evident it is still big difference between the views on what BPM is. No commonly accepted definition is given. Natural question appears – how it is possible to understand something if you can't even define what it is actually. By looking the second time at these definitions it becomes more evident that they supplement each other to some extent, and that the more BPM theory develops further, the more elements and features are began to be included.

Another logical question which appears is whether so many elements and features should be included? By including too much elements under one term makes it very complex and hard to understand. As a result many issues associated with this could appear. Going through six core elements mentioned in the theory chapter BPM's complexity become more evident. Perception issues are demonstrated in the Figure 3.1.



Figure 2.3.1. Issues of BPM's perception

So at this point, question remains, whether it is possible to describe BPM as well studied and understandable? It is possible to suggest that the field for study and polemics is still widely opened and a lot of research is should be done in relation to that question.

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2.3.2. The emergence and evolution of business process management – revised

Now let's turn to the question of the emergence and evolution of BPM. In the section where shortly emergence and evolution were overviewed, the question on where did BPM came from and what actually it represents was at hand. In we look into older articles (Zairi, 1997) it is possible to see that roots of BPM are not very evident. Different traditions and approaches are referred as potential predecessors of BPM: Management tradition, IT tradition, TQM, BPR etc.

In the recent works (Harmon, 2010) it is claimed that it is not that important to understand the full picture where it emerged from but rather understand what it includes. And according to him BPM ideally should include all three traditions, with specific features from many different approaches from all three traditions. He also claimed that BPM is still in the process of development and that many companies still do not include all three traditions into account while they try to use BPM.

At the same time many questions emerge in relation to that statement. One of the main questions is again complexity: how to integrate all three traditions in one? How to include so many different specific features, which belong to so many different approaches? On the paper that looks good and sounds amazing but how it is actually possible to do that? It is logically that through evolution it should be natural to attain all the best from different approaches. But, at this point there is no clear answer. How it is possible to build something when there is no clear basis for it?

Another important question appears: what should be a basis? TQM? BPR? What? That is why many of the current research works are doing very different things. Some researchers base their BPM research on the basis of TQM, others on BPR etc. But this is so far didn't give any productive result, only general words. If it will continue this way then it is possible to suggest that in the nearest future there will be no sufficient movement forward in relation to the development of the strong theoretical basis for BPM.

2.3.3. BPM: innovative management control system?

2.3.3.1. Reviewing definitions

In the theoretical chapter we overviewed what is management control system and have seen that management control definition is as abstract as BPM. Nevertheless BPM could be

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considered, to some extent, as management control system, because it satisfies criteria mentioned in most of the definitions of management control systems in the overview.

At the same time it is also good to mention that judging by the approach which is mentioned in the commonly used in different research articles description given by Van der Aalst (2003), which states that “BPM is supporting business processes using methods, techniques and software to design, enact, control and analyze operational processes involving humans, organizations, applications, documents and other sources of information”, BPM is much closer to the word "tool" rather than "approach". To be more precise, it could be considered as tool which allows organizing management control system in the organization the way to manage processes in the specific manner.

When it comes to the term innovation, there is much more filed for polemics. Does BPM satisfy the criteria to be considered as innovation? And again, BPM to some extent satisfy the more late definitions of innovation given by Albury (2005) and Hartley (2006). Why to some extent? Because in the later definitions one of the words is "successful", particularly the stated that innovation is the successful creation and implementation of new processes, products, services and methods. Up to this point it is very difficult to strongly claim whether it is successful or not. Again, as I mentioned before, one of the reasons is because there is a lack of empirical research on this topic. And it will be not fair to base conclusions on the successful rate of BPM predecessors, such as BPR for example.

2.3.3.2. *BPM and its implementation*

In the theoretical section we went through implementation of the predecessors of BPM. As review showed there is no clear answer on whether the implementation of BPR and TQM was successful or not. Some research works show that these approaches successful, others claim not only that there is no positive effect, but even the fact that there are possible to find no results or even negative results after implementation of the listed approaches. Mix of result is another reason to show that there is no concrete answer on the effectiveness and efficiency of these approaches.

Some researchers may argue that there are quite good amount of works dedicated to the implementation of BPM. Yes, I agree. But most of them are dedicated not the real cases but rather

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the explanation on what are the important issues, which you should look after (Viaene et al., 2010; Pritchard & Armistead, 1999; Trkman, 2010). It is not the same as to analyze the real life cases. There haven't been and high scale research on that topic.

When it comes to implementation, it is time to remember again the fact that theoretical basis is not strong enough even though there are a lot of recent research on how to implement BPM. The fact that there is no good theory makes it hard to make some implementation cases particular and as a result to make empirical studies. The chain of issues is demonstrated in Figure 2.3.3.2.



Figure 2.3.3.2. Chain of basic issues

In other words there is too much praise for approach, which has yet to prove its efficiency in real modern organizations.

In the theoretical section it was shown that some authors (Vom Brocke & Rosenmann, 2010; Harmon) explain BPM in terms of three layers: Enterprise level, Business Process level and Implementation level. If first layer clearly represent management view and last layer represent IT view, then business process layer which is in the middle represents to some extent connection, which connects both layers. One of the main issues here is that there is a clear problem. This problem is misunderstanding between management and IT. This problem is one of the most mentioned in the research and generally in business. This misunderstanding clearly affects the efficiency of most of the innovative steps which organizations want to implement. In some cases management don't want to implement suggested by IT departments innovation projects, in other cases they just could not clearly understand what IT wants and as a result many implementations just fail. Thus, it is also a very important issue which could cause a lot of problems during the implementation. The process of searching for understanding between managers and IT-staff as only just began (Harmon, 2010).

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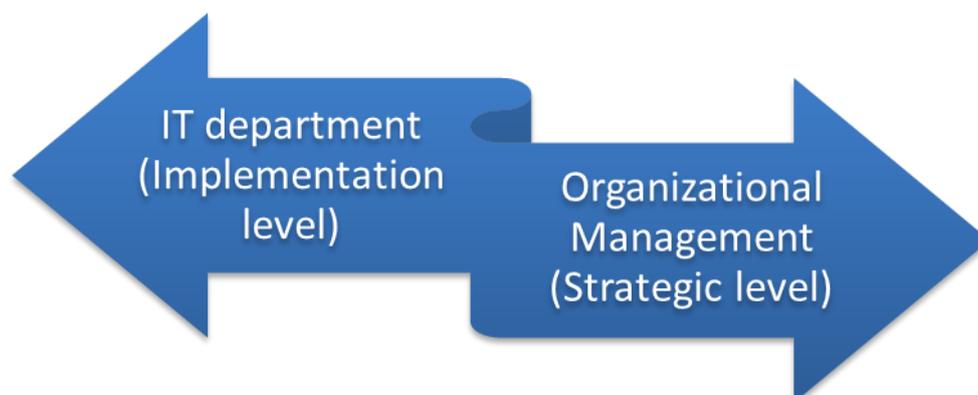


Figure 2.3.3.2.1. Misunderstanding between different levels

One of the most complicated issues that any organization which wants to implement BPM will face a huge reorganization (Segatto et al., 2013; Viane et al., 2010; Harmon, 2010). In order to implement such tool as BPM the whole organization should be restructured. The bigger the organization the more complex changes are necessary, the longer the time period it will take. In order to agree for such big changes organization needs to be sure that there are some particular steps which need to be made. For many of them this factor could play against implementing BPM. Blurred formulations in the theory and almost no empirical guidance on how to use BPM as a tool are aggravating factors. As a result vicious circle appears.

2.3.4. BPM: is failure the only option of implementation?

Analyzing BPM literature I can definitely say that even though many authors present it as a panacea from different managerial and business problems it is still looks like a fluke, which is doomed to fail at this point of time. In order to be successful it looks like there are huge amount of conditions should be met. And even if so it is still not a fact that some advantages could be gained from BPM.

Research shows that even amongst well-structured IT projects only 20% of them finish on time. When it comes to BPM projects, the failure rate is even higher due to the immaturity of the technology and scope of the implementation. If organizations will try to implement BPM project

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with the currently available tools and using the current standards that are still not well-formulated, then these organizations will find themselves on the edge and as a result, the failure rate will be even higher (Ramesh, 2005).

BPM is not something which is located in one particular department. BPM is a systematic tool, which is applied across the whole organization. It should be applied across the whole organization because in BPM is all about business processes. And business processes are span across the whole organization. The bigger the organization the more complex implementation of this tool will be. In his work Ramesh (2005) explains that, in order to implement it interface between departments should be top notch. What issues could wait on the road to create efficient interface between organizational departments?

One of the first things and one of the most important ones is architecture. It is of crucial importance to design architecture around organizational business processes. In many cases organizations even struggle to define their business processes, not even speaking about to create architecture around them. Business processes are the core point of the whole BPM. But even if you can determine them it is very important to have architects who can reorganize the whole organization around them. It seems like one of the most difficult task. It is much easier say than do it.

Another important thing is communication among departments. Different departments – different needs. As it is often appears that each departments has its own procedures, software etc. The bigger the organizations the more diverse departments usually are. It can take immense amount of time to find an agreement on every simple thing.

Executive management support could be also considered as necessary condition. Otherwise, without their support implementation will fail. The main reason is that senior executive should believe in what they are doing and support all the change processes constantly. Very often when senior management don't clearly see what kind of profit this can give to organization, they do not commit to the change processes, thus do not fully support it. As a result, no high scale changes will be successful.

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Business and IT misalignment are common issue overall. If the BPM project is initiated by IT, then in most cases it is very hard to deliver to the management what actually they want to do, and, as was explained before, to gain support. Same goes the other way. When management initiates BPM project and then they just throw it to IT department to implement, IT in most cases will just try to implement latest technologies but not what is actually needed in order to achieve important business goals.

Testing is also an important part, which should be done during the whole implementation process. Sometime companies instead of making changes step-by-step and test the results they just try to make everything at once and test in the end. But it is much more difficult to find mistakes when the whole system is changed than in situation when you change and check right after that.

Here is what we have among general conditions of implementation process:

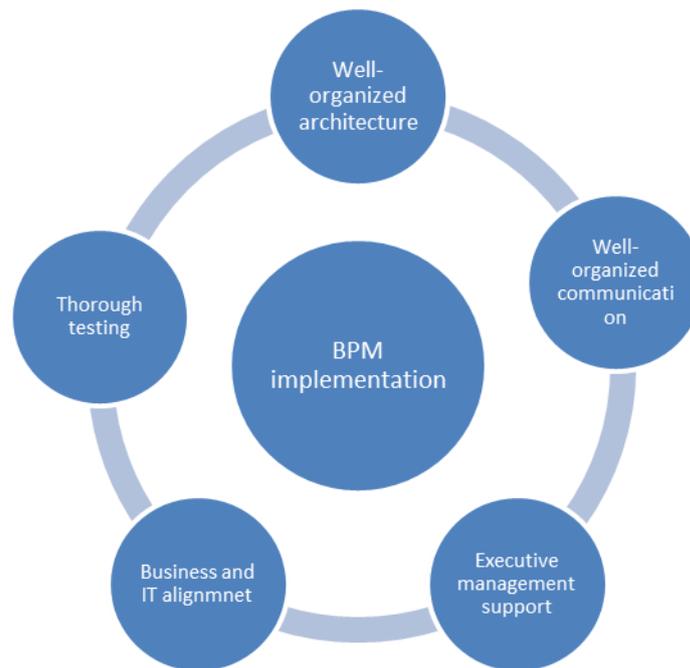


Figure 2.3.4. BPM implementation conditions

All of these implementation conditions make the goal of implementing BPM in the organization a very difficult, almost impossible mission to accomplish, because many of these issues are tough to deal with, especially when you need to deal with all of them at the same time.

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2.4. Summary

This part of the master thesis describes and analyzes emergence and development of business process management managerial tool. First, I described the relevancy to the research questions introductory information concerning general representation of BPM. Then, BPM's background was elaborated in the theoretical chapter in order to understand what actually BPM is, what it consists of, how it emerged and the idea behind the emergence of this tool. Overview of management control system and innovation terms is presented next. In the end of the theoretical section implementation results of BPM's predecessors are overviewed. In the discussion section of this part all the literature findings were analyzed and discussed through the prism of the theoretical framework. Thus, I can formulate the following conclusion.

My research project aimed at contributing to the growing body of research in the field of innovation in management, particularly to fill the knowledge gap caused by the inconsistencies in the literature. I sought to gain understanding of how BPM is presented in the modern research literature and how it evolved in what researchers consider as BPM and potential of its implementation.

Answering on the first research question: "How BPM emerged as innovative management control tool?" I can claim the following: BPM is tool which emerged from a long managerial search for a new approach to manage organization. A lot of predecessors were created before BPM appeared and their implementation could not be considered successful, because of mixed research results. BPM emergence could be described as integration of all possible advantages from different approaches which were described and implemented before, which had process orientation as a main idea. As a result BPM emerged like a possible tool, which can help companies to organize managerial system in a way to improve organizational performance.

Answering on the second research question: "Whether and why BPM is considered an innovative tool for management systems?" I can state the following: BPM is a tool praised by a lot of researchers as a potential panacea against many organizational problems and a source to gain competitive advantage for modern organizations. It is considered innovation because before not so many elements were included in one tool. This tool offers to restructure the whole organization

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and not just some separate pieces. But even though it is considered by some researchers and practitioners as a great tool, there are still a lot of issues connected to the BPM:

- ✓ Weak theoretical basis
- ✓ Implementation issues
- ✓ Too many conditions need to be complied
- ✓ Lack of empirical proof

All these issues cause doubts when it comes to claiming about innovativeness, effectiveness and efficiency of this tool.

My research concludes that business process management even though has a potential to be a very successful and innovative tool, which allows organizations to gain competitive advantage, it is still has a long way to be considered so. Starting point should be taken from developing strong unified theoretical basis and them gradual implementation with constant ongoing monitoring of the results.

Economy of Russia

Cultural perspective

“Modern Russian is the biggest Post Soviet country which still has been experiencing the consequences of long years of Soviet economy”. (Koveshnikova og Bylkina, 2013, p.33)

“After 1991 the country made a significant turn toward developing a market economy by implanting basic tenets such as market-determined prices. Two fundamental and interdependent goals (macroeconomic stabilization and economic restructuring) determined the transition from central planned economy to market-based economy.”¹ “The economic restructure was followed by all-over privatization of government industrial institutes. After the privatization era continued of around 10 years Russia lost the main part of its budget revenues received from the oil and gas sector and fell in the world development sector from the 30th place in 1992 to the 60th”. ”. (Koveshnikova og Bylkina, 2013, p.33) Now Russia holds the 65th place and on the 97th place of

1

http://en.wikipedia.org/wiki/Economic_history_of_the_Russian_Federation#Transition_to_Market_Economy

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GDP level at purchasing power parity per capita according to the World Bank statistics. During the period of 5-10 years no funds were directed to support and develop the industry sector and the education sector.²

Human behavior and its result in the business sphere are based on values and norms, which, in turn, have their roots in the national culture. (Balykina)

If we look at Russia from the Hofstede cultural perspective (Hollensen, 2004) of the country analysis, we could find the following tendency. (see figure 2.4)

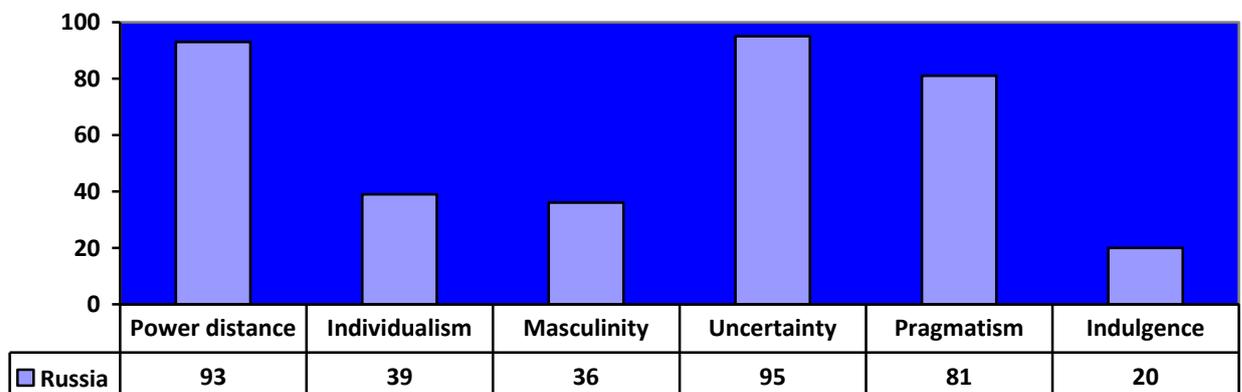


Figure 2.4. Russian cultural picture

Power distance

The score of power distance of Russia is 93, which means that Russia is a nation where power is very distant in society.³ “This is underlined by the fact that the largest country in the world. The huge discrepancy between the less and the more powerful people leads to a great

² <http://tol-nabat.info/main/1845-pochemu-v-norvegii-samyj-vysokij-uroven-zhizni.html>

³ <http://geert-hofstede.com/russia.html>

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importance of status symbols. Behaviour has to reflect and represent the status roles in all areas of business interactions.”⁴

Individualism

In Russia collectivism is widespread; people prefer to work in groups and share or take off their responsibility on/ among others.

Masculinity .

“A low score (feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine). Russia’s relatively low score of 36 may surprise with regard to its preference for status symbols, but these are in Russia related to the high Power Distance.”⁵

Uncertainty avoidance

With the score of 95 Russians are very threatened by ambiguous situations, in addition they have established one of the most complex bureaucracies in the world. ⁶

Pragmatism

“With a very high score of 81, Russia is definitely a country with a pragmatic mindset. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest. thriftiness and perseverance in achieving results.”⁷

Indulgence

⁴ <http://geert-hofstede.com/russia.html>

⁵ <http://geert-hofstede.com/russia.html>

⁶ <http://geert-hofstede.com/russia.html>

⁷ <http://geert-hofstede.com/russia.html>

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“The restrained nature of Russian culture is easily visible through its very low score of 20 on this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong.”⁸

I may present a middle conclusion that Russian culture and mentality results in the fact that Russian people prefer to work together, rest together and take off responsibility on others or share it. Negotiations are more important than goals achievement, and lower level employees are mostly not interested and bothered in reaching success as their CEO, so the relations between the top level and low level colleagues are controversial.

Influence of culture and history on modern economic and business situation in Russia

“In modern Russia the task of developing adequate attitudes in terms of business culture represents a formidable challenge”. (Kuznetsov og Kuznetsova, 2005, p.25) Firstly, radical economic transformation, transition from socialism economic model into a market economy set-up influence economic players to operate in market that is initially new to them. What is important, players moves must be based on the set of values and the type of rationality which are very much different than those that was significant before and, thanks to social inertia, still constitute a huge part of the national cultural tradition. (Kuznetsov og Kuznetsova, 2005) Secondly, information which comes from the economic environment is much likely to be distorted, confusing and incomplete. This is the result of the inefficiency of work of transitional institutions (Kuznetsov, 1994). “Under these circumstances the ability of entrepreneurs and managers to take decisions and develop long-term strategies is hampered”. (Kuznetsov og Kuznetsova, 2005, p.26)

Still nowadays Russian society is likely to deny entrepreneurs such virtues as morality, integrity, talent or hard work. Noteworthy, Russians consider dishonesty and connections as the keys for business success in their country (based on the survey of 2000 Russians by the All-Russian Centre for Public Opinion. See: *Journal of Commerce*, November 21, 1997). (Kuznetsov og Kuznetsova, 2005) “Jokes about “new Russians” are another sign of the resistance that the

⁸ <http://geert-hofstede.com/russia.html>

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traditional culture offers to the intrusion of new values. The Russian variant of capitalism is widely perceived as brutal and unfair.” (Kuznetsov og Kuznetsova, 2005, p.26)

With no good institutional control of restrictions self-oriented behaviour with its focus on cutting costs meets no limits. This allows managers and entrepreneurs to adopt a “one shot” business strategy allowing them to defect from agreements and defy co-operation. (Kuznetsov og Kuznetsova, 2005)

The Russian entrepreneurial culture is still associated with depravities, prejudices and idiosyncrasies characteristic of Soviet bureaucracy, including the subculture of intolerance, incompetence and corruption. (Kuznetsov og Kuznetsova, 2005, p.28)

Features of Russian business and Russian leaders

“Russians are needed in powerful charismatic leaders and tend to create them often irrespective of the leaders’ intentions.” (Kets de Vries et al., 2004) The tradition of creating a strong leader as Peter the Great or Josef Stalin has been kept and followed in modern Russia: “regardless of a successful Russian entrepreneur’s competencies and management style, he or she invariably has enormous power within the organization” (Fey og Shekshnia, 2008, p. 3)

“In Russia, a country with a high power distance, many government officials expect to deal with the number one person in the organization”. (Fey og Shekshnia, 2008, p. 27)

But what happens if the CEO is under educated or have lack of proper experience? If he absolutely drives the company and develop a wrong policy? From my own experience I can say that many Russian top managers are poor educated and don’t have enough experience of work. They get used to solve most problems with money and connections instead of developing competitive strategies and driving markets. The problem of poor education among employees and especially first faces of companies stands sharply in the market today.

After the methology part will be considered, I will present the case study of St. Petersburg Dom Knigi to show you how top level of the company drives it and influences the stagnation of the erstwhile company.

3. Methodology

I based my methodology part on our primary academic source “Management research, 3rd edition” by Easterby-Smith M et al. (2008) and Master Thesis of Koveshnikova E. og Bylkina O. (2013)

Research methodology contains systematic, focused and methodical collection of data to solve or illuminate a single research question (Ghauri and Grønhaug, 2005).

The phonology of this master thesis is the following. In the first part I have considered the literature review and presented the known theories concerning Business Process Management, while in the second part of the work I will discover whether and how practice suits theory. I took Hart’s argue (1998), concerning the literature review as the essential part of the research that gives quite better understanding of the subject analyzed.

I also followed Easterby-Smith et al. (2008, p.82) position and build my study to follow the core function of designing management research - research activity organization, that includes the data collection to achieve research goals and answer the research question.

The structure of this part includes argumentation of a qualitative method used in the study and choice of relativism philosophical position. Relativism position is reached in this study since there is no universal and objective picture of effective and efficient in exploitation Business Process Management model neither in theory nor in practice. So the experience and information gained during the process of writing this study is going to be just an orientation for more narrow and deep future research. The philosophical position base is followed by the selection of research design consideration .

This study is more exploratory and less descriptive. A case design method is used since it suits here much and is generally used when the research question has ‘how’ or ‘what’ questions. In-depth interview of Ekaterina and analysis of her studies dedicated to Dom Knigi are the primary source for data collection.

Qualitative method is used in our study since I consider only one case of BPM model exploitation to show the Russian example.

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Among all the methods including in-depth interviews, group interviews, observation alone, diary methods etc., I stopped on in-depth interview as the main source method due to its value, my research purpose and opportunities and costs I faced.

In-depth interview method is better to choose when there is an interest in people's or object's experiences (Johannessen et al. 2005). He argues that the

My own position is that in-depth interview open the doors in gaining more subjective, unique and that's why valuable information from the informant. This information would be rather to find in secondary data. Holme og Solvang (1996; as cited in Ryabushkina og Klausmark, 2012) argue that good benefit of qualitative personal interview is that the researcher asks questions directly to the informant. The questions can be open, changeable and specified. This allows to reach trust and sincerity between the interviewer and interviewee. Misunderstanding as well as implausibility and transparency can be minimalized in comparison with survey and other quantitative techniques. We can ask the respondent again and clarify his statement, opinion or idea to make the whole picture of this point of view and beliefs.

In order to analyze a phenomenon a researcher has to admit a philosophical position. I chose relativism position and explain my choice in the next section.

Relativism philosophical position

Case study design as the main method in my study is considered further.

Table demonstrates that case method is equally mapped against positivism, social constructionism and relativism epistemologies. (Easterby-Smith et al., 2008, p.83)

Table 3. Case design method mapped against epistemologies

	Positivism	Relativism	Constructionism
Case method	*	*	*

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Easterby-Smith et al. (2008, p.97) suggests that “the case study looks in depth at one, or a small number of, organizations, events, or individuals”. “Nikkolaj Siggelkow (2007) said that cases are “particularly valuable for demonstrating the importance of particular research questions, for inspiring new ideas and for illustrating abstract concepts”. (Yunusov, 2012, p.5)

“Easterby-Smith et al. (2008) state that in relativism perspective truth is found through consensus between a broad sample of different viewpoints, taken into account, while facts depend on viewpoint of observer”. (Koveshnikova og Bylkina, 2013, p.48)

I supported the position that the more theoretical frameworks and practical cases are considered, the more structure and tendency can be reached. That’s how statistics works. Relativism is placed in the middle just between positivism (objectivity) and social constructionism (subjectivity) offering an alternative of assumption. I assumption in my study that Russian leader approach is quite old and not good, and when changes are made from the top, the total BPM model can be improved.

I took Easterby-Smith et al. (2008) position that in the relativism perspective a difficulty may happen of gaining direct access to reality. Multiple perspectives arise due to both methods triangulation and surveying of views and experiences of data samples.

Relativism methodology practices semi-structured interviews, that meaning, that if possible same questions are asked in each interview of case. However, strict structure and order is inappropriate. (Easterby-Smith et al., 2008) I used semi structured interview because few more specified questions were necessary to be asked.

We huge benefit of relativism epistemology is that multiple sources of data can be used for analysis. Not only data collected from the interview will be interpreted. I also explore web pages, published articles, academic literature, Ekaterina’s papers to link theory and practice and make as far objective conclusions as possible.

Despite the fact that interpreting too much data is difficult and costly, I will try to present as much information as I can to form the most whole picture of BPM model Dom Knigi has.

Easterby-Smith et al. (2008: 115) offer the following factors that “can influence the kind of questions that are seen as worthy of research”. Among them are the experience of the researcher him/herself, corporate and academic stakeholders, the subject of study. All of these factors drive the research question. This is shown in figure 3.

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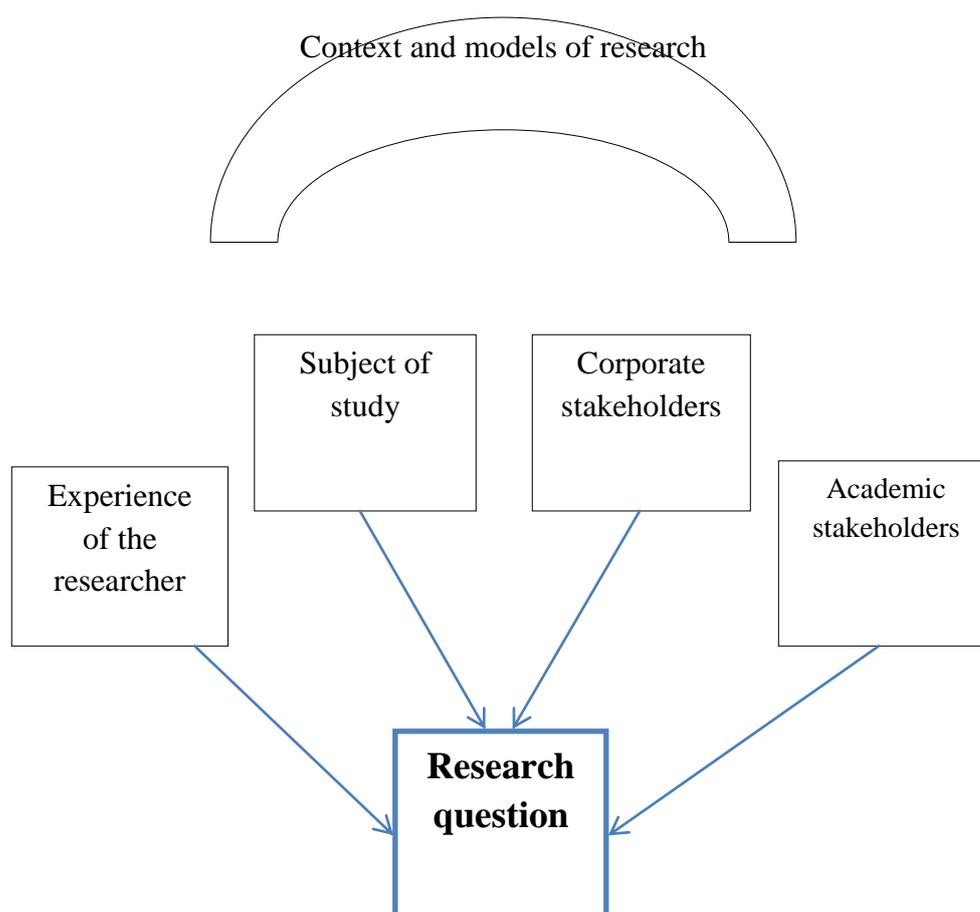


Figure 3. Influences on the research

Researcher's experience

Easterby-Smith et al. (2008: 117) suggests that “when it comes to fieldwork, personal background, including social class, will affect the ease with which the researcher can gain access to different settings, and this may also predetermine responses from different groups.”

I am interested in BPM topic since I argue that it needs to be further developed and used. We need to use the benchmarking of developed countries and learn on attempts of developing ones. My colleague Ekaterina was glad to share her knowledge and papers with me and others.

Easterby-Smith et al. (2008: 117) suggest that the research can be made by single researchers (professors, students, etc) or by teams, consisted of students or funded researchers with various academic backgrounds and interests. In my own study I present the Russian model of Business Process Management. My skills in both Russian and English allow me to read and analyze literature in these languages.

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Stakeholders

My stakeholder during the process of writing this thesis was Ekaterina. She helped me to form the structure of the study and provide information about St. Petersburg Dom Knigi LLC BPM model.

The subject of study

The ‘subject’ is “the problems or issues to be considered – rather than the people and data that will be looked at within the study.” Easterby-Smith et al (2008: 125)

In my thesis the subject of study is the Business Process Management model concept considered from different theoretical perspectives and added my practical model of a Russian book retail company.

Context and models of research

Among four known (Easterby-Smith et al., 2008) models of research – military, private agent, team and investigative, I chose the *private agent model*. “This model involves individuals operating independently, developing their own ideas using own resources, and making the best of whatever opportunities are available”. (Easterby-Smith et al., 2008, p. 127) An element of coordination or networking through Internet or conference links among researchers is possible. Private model is presented by research students or lone academics pursuing a single project. (Easterby-Smith et al., 2008, p. 128)

3.1. Case Design

Researchers use case study method to receive the fullest possible data about a particular concept, situation, case. Among types of case studies are exploratory, descriptive, explanatory, understandingly and appraising. (Johannessen et al., 2005).

In my study I will use partly descriptive and explorative research design. Descriptive design is used since I will describe the current BMP model of Dom Knigi and use the existent papers of Dom Knigi written by Ekaterina as well as use information collected through the

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interview with Ekaterina. The explorative part of the case is used after; when I link the theory perspectives with the practical part and give my own feedback concerning the current model.

“Qualitative data collection methods are common, such as technologies of empirical data gathering and collection of new data through interviews. (Hair, 2007; as cited in Ryabushkina og Klausmark, 2012) Empirical study based on theory is suitable when research study has few data or has not been investigated earlier. (Ryabushkina og Klausmark, 2012)” (sited in Koveshnikova og Bylkina, 2013, p. 53)

I agree with Ryabushkina og Klausmark’s (2012) position that when new sort of data is needs to be used, exploration approach has higher output to gain it.

Case design technique is exploited when we describe a phenomenon, a person or a case and use ‘what, why, how and who’ questions to get a response. (Ryabushkina og Klausmark’s, 2012). My main research question starts with HOW question to get an answer. Through the process of analyzing the papers and data collected through the interview I found out how BMP works in Russia, what are its features, how it can be improved and better implemented.

Case studies allow for combining several methods of study to get the most detailed description and the richest possible data. (Koveshnikova og Bylkina, 2013, p. 53)

Together with data collection through interviews, other methods are also relevant and recommended to use . (Johannessen et al., 2005)

I really like the technique Yin (2003; as cited in Eaterby-Smith et al, 2008: 97) used to in all case studies to have a clear design produced before data is collected. The former needs to include: core questions or propositions unit of analysis, links between data and research question and propositions, and data interpretation procedures”. Five factors of Yin (1994, as cited in Johannessen et al., 2004: 83) are presented below.

- 1) *Research Question*: Case Design is best used with "why" and "how" questions.
- 2) *Theoretical assumptions*: Some assumptions should be made in advance, being foundation for future research.
- 3) *Analysis units* - individuals / social settings.

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- 4) *logical links between data and propositions / assumptions*: 2 analysis strategies are offered: analysis made on the base of theoretical assumptions (theory-based) and descriptive case study (if there is no theoretical assumption in advance).
- 5) *Interpreting findings criteria*, i.e. interpretation of the findings against already existing theory. (Johannessen et al., 2005, Koveshnikova og Bylkina, 2013)

One more relevant factors offered by Ryabushkina og Klausmark (2012) and Koveshnikova og Bylkina (2013) are presented below:

- 6) *Degree of focus on the present, as opposed to historical events*: Present is analyzed through the scope of past. I compare the future, present and past versions of BPM model of Dom Knigi to learn best experience and find links.

Data collection

Case study has several possible methods to collect information on cases. (Arntzen, 2012)

For my study, in-depth interview is the most appropriate method of data collection. Since Ekaterina is my colleague, we were not limited with the time of the interview and had many talks after. I was interested in the most fullest information and concrete facts.

I also used secondary data such as papers about Dom Knigi, its official web page and some articles written about it.

3.1.1. In-depth interview study

Kvale (1996; as cited in Eaterby-Smith et al, 2008) suggests that the goal of qualitative interview is collecting information, which catches meaning and interpretation of phenomena which relates to the informant's view. (Kvale, 1996; as cited in Eaterby-Smith et al, 2008)

In-depth interview design has its benefits and weaknesses. Jones (1985; as cited in Eaterby-Smith et al, 2008) writes about two serious challenges.

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The first one is how much structured an interview must be. My own opinion matches the Jones's (1985) that no research should be held with no presupposition, i.e. the researcher should have some background and knowledge about the topic of the interview.. (Jones, 1985 as cited in Easterby-Smith et al., 2008) Firstly, I considered different theoretical frameworks and took the most appropriate elements from each of them. Then I developed an interview guide built theory framework. I analyzed and interpreted the data received due to the interviews.

Easterby-Smith et al., 2008 advised that an interview should be prepared and formed with some key questions. So even if the structure of the interview will change, the key strict base will not be broken.

I chose semi-structured interview in this study since comparing with high structured interviews design, semi-structured interview outputs more full and open answers with higher confidentiality, transparency and plausibility level because semi structured interview is more personal in nature. This interview design gives frameworks of the research question and allows interviewee to focus necessary facts, details he looks for. (Easterby-Smith et al., 2008)

Riley et al. (2000) argues that good interview guide with excellently formed questions is a must for the interview design.

The made interview guide I used is presented in here.

We have built it on Ryabushkina og Klausmark's (2012) design, Easterby-Smith et al. (2008) theory, Koveshnikova og Bylkina (2013) and my own thoughts.

- 1. Semi-structure** (Easterby-Smith et al., 2008; Mehmetoglu, 2004; as cited in Ryabushkina og Klausmark, 2012)

My interview was held through face to face communication with the logical and chronological order. All the questions were answered and some more interesting questions were faced with full and complete orders. During the process of interview I changed the places of questions sometime to follow the sense

- 2. Suitable place/ location, time and manner**

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The interview was held face to face in a café on appropriate time. So we had enough time to discuss everything.

3. Taping techniques

No Dictaphone was used because of only one interview held.

4. Anonymity and confidential data. Ethical problems to be possible (Easterby-Smith et al., 2008)

Since Ekaterina offered her help, knowledge and written materials to use, to ethical dilemma was faced. I placed all the literature resources in the list and discussed with Ekaterina all the information she permitted to publish.

5. Obtaining trust (Easterby-Smith et al., 2008)

Since we are colleagues were was no problem with trust.

6. Clear questions (Easterby-Smith et al., 2008)

Clarity, absence of doubt or ambiguity were complied. A special form of questions was made.

7. Clear definitions and background

I explained Ekaterina all the academic and research definitions and background information, so no challenges or misunderstanding faced.

8. Credibility principle (Ryabushkina og Klausmark, 2012; Andreassen, 2012)

I checked truthiness and relevancy of the data received.

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9. Reliability principle (Ryabushkina og Klausmark, 2012; Andreassen, 2012))

All the questions were answered honestly.

10. Proper language (Easterby-Smith et al., 2008)

Since we both Russian no problem in language and definitions clarity was faced. Ekaterina also had a typed version of questions, so she was able to check everything and ask again.

11. Laddering questions (Easterby-Smith et al., 2008)

The laddering technique really helps in getting ‘close’ value information. With ‘why’ and ‘how’ questions trick each informant will tell more information than planned.

3.1.2. Weaknesses of case study

Like every method case design has its issues. Firstly, access to the informant is limited. After interpreting the interview I asked Ekaterina for additional questions. So more time was needed.

Second and the most significant issue I faced was that since I examined only person and used practical example of only one company – one Business Process Management model, I cannot make objective propositions about suitability of theory and practice. This one case cannot show full and objective picture of the features and development of BPM in Russia. These results are more subjective and personal and outline personal business experiences of a single Russian company. This result should not be used as an objective base for future research studies. It can only be exploited as an additional source for future research of BPM phenomena.

However, I could say that since I interviewed my colleague, I didn't face problems with untruthful information received or no access to throw light on controversial and tricky questions.

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4. Results

The results part consists of the following sections: general facts concerning Dom Knigi; description of current Business Process Management model; picture of organizational structure and enterprise level structure; consideration of limitations of current BPM model and finally suggestion of a new improved model.

General facts concerning Dom Knigi

St.Peterburg Dom Knigi LLC is the largest book store in Saint-Petersburg (Russia) and one of the largest ones in Europe. Its history goes back to 1918. Located in the heart of the city, on the crossing of the main and the oldest avenue (Nevsky prospect) and the canal Griboedova, Dom Knigi metts millions of national and international customers annually. (Koveshnikova et al., 2012)

After being reconstructed the store has been occupying three building floors with the total area of around 2800 sq. m. (before reconstruction - 1300 sq. m.).⁹

More than 150 thousand book items are presented in the store. Of around 80 % of all the books are sections literature: social studies, law, economy; natural sciences, mathematics; applied sciences, engineering, agriculture; medicine, health; education, pedagogics; philology, art. (Koveshnikova et al., 2012)

Literature for children, art books, housekeeping, sports, tourism, studies of local lore and cartography are also on access to customers. “The arrangement of books in the store corresponds to the book-selling classification. Apart from books and stationary, CDs, DVDs, and antiques are presented”. (Koveshnikova et al., 2012, p. 3)

The store has an information service department to help customers to find and buy books as well as a special search electronic system aimed to help both sales assistants and buyers to find the proper item for one minute.

Dom Knigi has its unique history and tries to preserve its image and traditions. The store is always mentioned in the guidebooks as a unique sight of the city, not only because of its architectural significance but also due to its long history and rich cultural background.

Nowadays Dom Knigi is both a book store and one of the places where the city’s intelligentsia and the reading society can meet and gather. “Evenings in Dom Knigi” and the

⁹ www.spbdk.ru

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presentations of literary novelties give readers the opportunity to meet their favourite authors and create an open space for discussing latest publishings”. (Koveshnikova et al., 2012, p. 3)

Dom Knigi’s mission is in promoting reading and education, supporting newcomers authors and preserving the best traditions and culture of the book trade. “Mutual assistance, hard work, integrity, reliability and quality assurance are encouraged in the store’s team. The company is constantly searching for new ideas to be always one step ahead of competitors and to position itself as the largest book store in the city where one can find everything at the competitive price.” (Koveshnikova et al., 2012, p. 3)

To understanding better the business and consider the Business Process Management of Dom Knigi, a short overview of the company’s structure will be considered at first.

Dom Knigi structure

The complete structure of the company is presented in Figure 4.2.. Dom Knigi includes 8 main departments; some of them have subdepartments. The company is managed by the general director and his board. The cooperation between the Board of Directors is shown in Figure 4.1. It is considered just below.

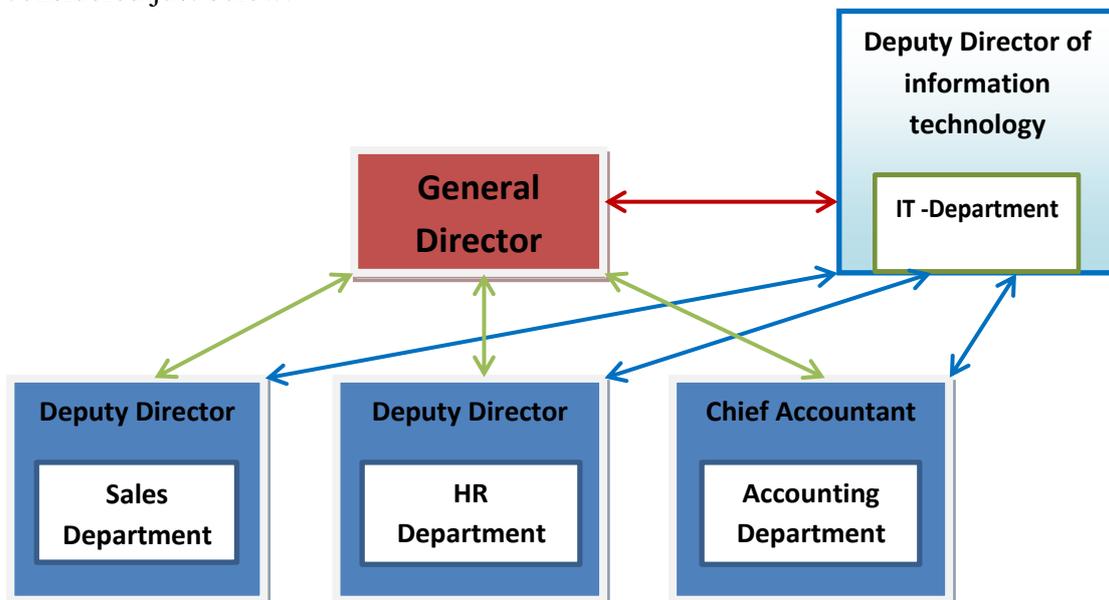


Figure 4.1 The Board of Directors coordination diagram (figure taken from (Koveshnikova et al., 2012, p. 4)

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Dom Knigi's external and internal business policy is under control of the General Director and four Deputy Directors of the main purchasing departments. *General Director* drives the strategy of the company and determines all the fundamental decisions and takes responsibility for consequences. *The Deputy Director of Sales Department* controls for the whole process of items purchasing from the supplier to their transportation to the book store and distribution. *The Deputy Director of HR Department's* operations are carrying out a successful personnel policy, hiring and firing staff, and appointing rewards and penalties. *The Chief Accountant* is the head of the Accounting Department and he controls the financial and tax policy of the organization. (Koveshnikova et al., 2012, p. 4; Koveshnikova, 2011, p.35-38)

"*The Deputy Director of information technology of the IT-Department* is shown separately in the figure to mark up his special position. He gets the instructions from the General Director and tries to follow them along with meeting the departments' requirements. Thus, with the help of his team (IT-department) he is in charge of writing and applying IT-systems for each department and coordinating them." (Koveshnikova et al., 2012, p. 4; Koveshnikova, 2011, p.35-38)

The fact that the CEO and top management level initially makes offers for IT-applications, not the IT-department, is controversial and should be taken into account when considering the Business Process Management model of Dom Knigi.

This company structure is linear - functional structure of mechanistic type. The main advantages and disadvantages of linear structure - functional type are summarized in Table 4.

Table 4: Advantages and disadvantages of linear functional organizational structure of management¹⁰

Advantages	Disadvantages
<ol style="list-style-type: none"> 1. Stimulates business and professional specialization ; 2. Reduces duplication of effort and consumption of material resources in the functional areas ; 3. Improves coordination in functional areas ; 4. Easily build ; 5. Economy ; 6. Division of labor is economically advantageous . 	<ol style="list-style-type: none"> 1. Slow response to external changes ; Poor adaptation ; 2. Problems with the distribution of responsibility for problem resolution ; 3. Having overlapping functions ; 4. Information is opaque ; 5. Targets are not broadcast to employees ; 6. Weak coordination of work units ; 7. Unfavorable for significant innovation.

¹⁰ <http://www.dekanblog.ru/?p=4729>

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Current Enterprise / Business Process Management Model

Due to the interview with Ekaterina I have formed the current Enterprise Business Process Management model, being guided by Aalst et al. (2003) BPM definition -“BPM is supporting business processes using methods, techniques and software to design, enact, control and analyze operational processes involving humans, organizations, applications, documents and other sources of information” – and Hammer (2010): BPM is an integrated system for managing business performance by managing end to end business processes.

The current Business Process Management Model is formed on the base of the Value Creation Hierarchy. The model has three levels as theory suggests: enterprise level, business process level and implementation level (Figure 2.2.3.1.)

The theory suggests that “at the Enterprise Level organizations seek to organize their processes across the entire enterprise, aligning processes with strategies and defining process governance and measurement systems for the entire organization. At the Process Level, organizations are exploring a wide variety of new approaches to process analysis and redesign, and at the Implementation Level new technologies are evolving to support process work” (Harmon, 2010, p.53).

Starting from the top level of organizational context the model dives deeper into the organizational insights right up to the main organizational process– purchasing. “In this figure the enterprise is depicted in the context of its marketplace, its resources and competitors and the general context in which it must operate”. (Rumler, Ramias, 2008) (Koveshnikova et al., 2012, p. 5)

Being covered by the diverse business environment, Dom Knigi is affected by the government through taxation laws and business regulations; the society with a cultural influence on customers preferences and the companies assortment; and by the economy in face of pricing policy. (Koveshnikova et al., 2012)

The company operates in the market by distributing goods to its customers and earning profit. To do so it uses the following resources - professional labor force, suppliers of equipment and goods, and the existing level of technology. Its competitors (other book stores, online shops, etc.) have to use the almost the same concept model for their performance. The company output in

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the form goods sold and services delivered is much determined by the market demand. (Koveshnikova et al., 2012)

A high-level depiction of the organization's major and enabling processes is presented inside the organizational box.

Harmon (2010) reveals six core elements of BPM: strategic alignment, governance, methods, information technology, people, and culture. Due to the interview with Ekaterina it was found out that the BPM model of Dom Knigi is influenced mostly information technology, people, and culture. Harmon (2010) also mentions that IT tradition, management tradition; quality control tradition drives the BPM model.

As in theory Management tradition is focused on the overall performance of the firm, the most of the emphasis is on aligning strategy, with the means of realizing that strategy, and on organizing and managing employees to achieve corporate goals. In Dom Knigi the Top Management tries to control all the steps and business processes in the companies, sometimes with no proper knowledge of how to do so correctly and efficiently.

The third tradition by Harmon (2010), particularly IT Tradition, involves the use of computers and software applications to automate work processes. IT tradition is not that well known in the managerial circles. The most known is business process reengineering (BPR) and IT Architectures. The most recent one is Enterprise Architectures approach. Dom Knigi's Enterprise architecture "is currently at the business silos stage. Most of the processes in the company are automated, that means that the IT applications are designed specifically for the needs of every single problem in the enterprise and almost completely responses to those demands. Dom Knigi is not relying on a set of technology standards but rather buys or develops applications separately for every single department. The platform used for purchasing books is separated from the one used to choose suppliers, generate bar codes and others. The number of different IT solutions drives up the costs of IT architecture. Besides, the frustration of having to operate a big number of applications and the amount of investments needed to further develop this program makes us conclude that certain changes are required". (Koveshnikova et al., 2012, p.12)

There are 2 most serious problems in the company. The former is low education and experience of top management (who make up quite wrong big decisions concerning company restructure) and staff (in the form of shop assistants mostly, who make many mistakes using the

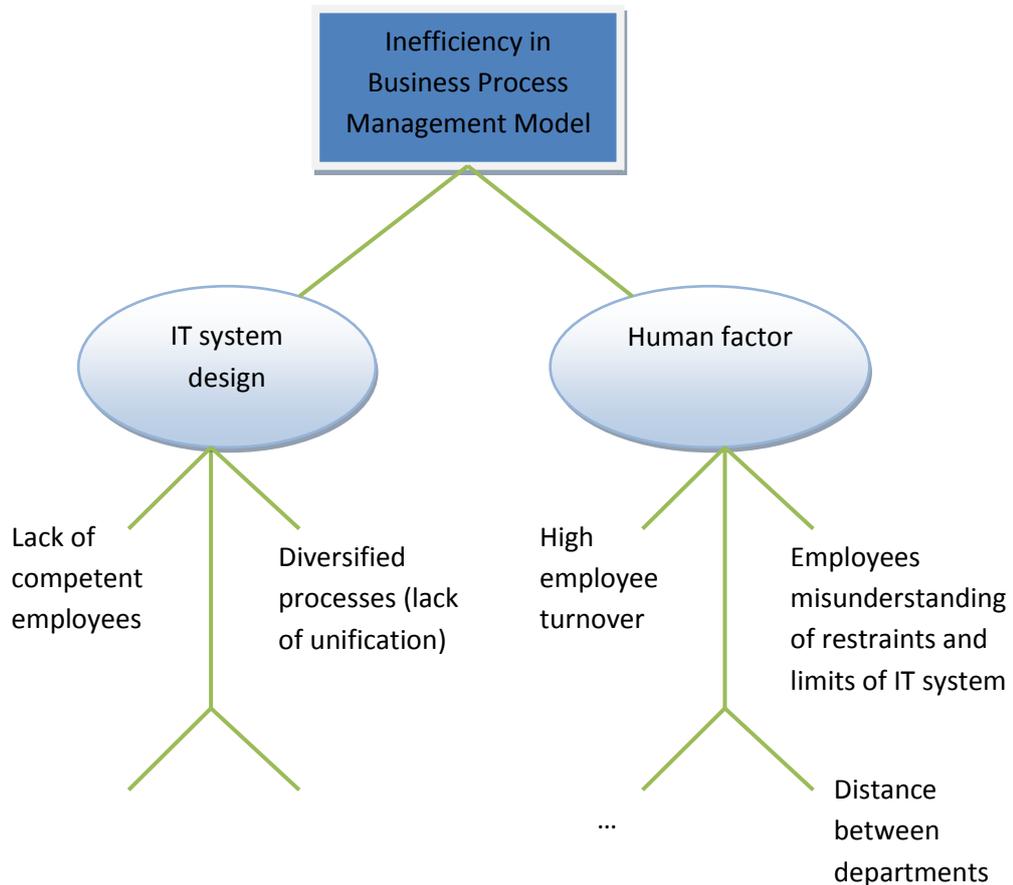
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electronic system of sales and search of items) and the second one, which is resulted from the first problem – coordination between departments, especially top management, sales department and IT department.

The root cause of problems in Business Process Management model was formed by Ekaterina during the interview. She allowed me to use her root cause of problems as a basis and added it.

Figure 4.3. Root-cause analysis of the problems' sources (formed on the basis of the figure taken from Koveshnikova et al., 2012)



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In general it is assumed that most of the enterprise's problems are driven by the human factor, although the research has revealed that 95 % of unwanted situations are related to process and only 5% related to personnel.¹¹

Having analyzed the paper Kovesnikova et al., 2012 and after the interview with Ekaterina, we came to a conclusion that the current BPM model should be improved by changing its structure and going out from a managerial model (with short power distance and total management control) to a more unified model – with automated Well integrated IT linking technology (will replace single IT applications) and Automated technology between departments. This new EA model will provide better coordination between all the departments while performing business activities and with customers while delivering product to the market. It will enable reaching strategic goals discussed above.

To sup up this part of study here I want to say that Dom Knigi's BPM model is quite typical since the company was formed in the times of Soviet Union economy and still works on that standards. Ekaterina said that just one year ago the top management was changed and this caused the changes of Chief Accountant, Commercial and Trade Directors. Now less books are sold in the store, more souvenirs are placed, the store loses its reputation as the historical destination and big book store step by step. Current board of directors plans to change the IT department employees in the last term. If this happens, the new formed department will spend long periods of time to be educated to work with the IT system in the store, since the current one was developed by the current IT team just for the needs of exactly this store. Possible costs of recharging can be count now. However, they will be quite serious as the situation in the books technology market changes tremendously and e-books and online service displace the old books retail.

¹¹ www.systems-thinking.org

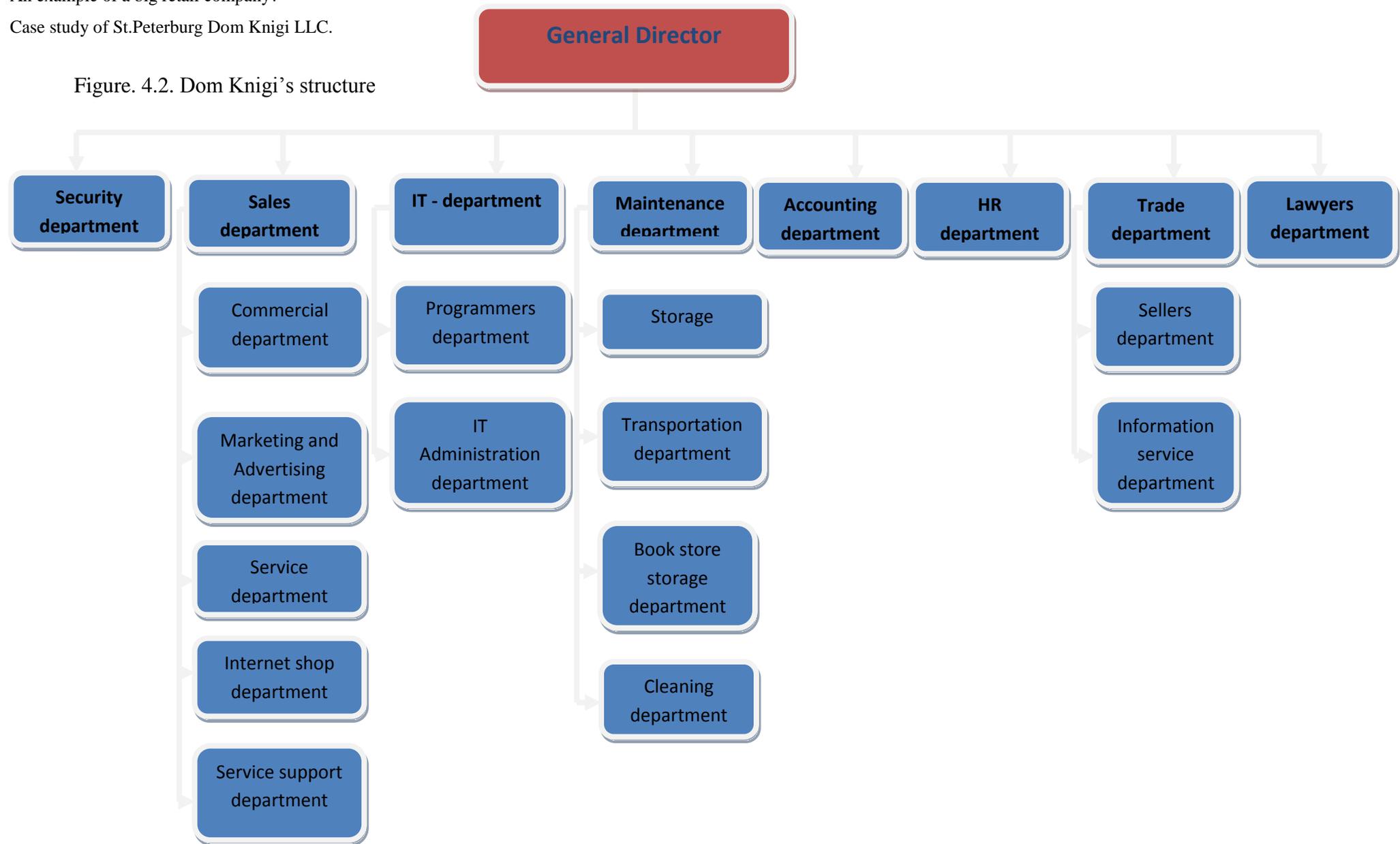
How BPM model works in Russia?

Kirill Cheprak _ Master Thesis 2014

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Figure. 4.2. Dom Knigi's structure



5. Conclusion

5.1 Conclusions

1. The theory part of the master thesis describes and analyzes emergence and development of business process management managerial tool. First, I described the relevancy to the research questions introductory information concerning general representation of BPM. Then, BPM's background was elaborated in the theoretical chapter in order to understand what actually BPM is, what it consists of, how it emerged and the idea behind the emergence of this tool. Overview of management control system and innovation terms is presented next. In the end of the theoretical section implementation results of BPM's predecessors are overviewed. In the discussion section of this part all the literature findings were analyzed and discussed through the prism of the theoretical framework. Thus, I can formulate the following conclusion.

My research project aimed at contributing to the growing body of research in the field of innovation in management, particularly to fill the knowledge gap caused by the inconsistencies in the literature. I sought to gain understanding of how BPM is presented in the modern research literature and how it evolved in what researchers consider as BPM and potential of its implementation.

Answering on the first research question: "How BPM emerged as innovative management control tool?" I can claim the following: BPM is tool which emerged from a long managerial search for a new approach to manage organization. A lot of predecessors were created before BPM appeared and their implementation could not be considered successful, because of mixed research results. BPM emergence could be described as integration of all possible advantages from different approaches which were described and implemented before, which had process orientation as a main idea. As a result BPM emerged like a possible tool, which can help companies to organize managerial system in a way to improve organizational performance.

Answering on the second research question: "Whether and why BPM is considered an innovative tool for management systems?" I can state the following: BPM is a tool praised by a lot of researchers as a potential panacea against many organizational problems and a source to gain competitive advantage for modern organizations. It is

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considered innovation because before not so many elements were included in one tool. This tool offers to restructure the whole organization and not just some separate pieces. But even though it is considered by some researchers and practitioners as a great tool, there are still a lot of issues connected to the BPM:

- Weak theoretical basis
- -Implementation issues
- -Too many conditions need to be complied
- Lack of empirical proof

All these issues cause doubts when it comes to claiming about innovativeness, effectiveness and efficiency of this tool.

My research concludes that business process management even though has a potential to be a very successful and innovative tool, which allows organizations to gain competitive advantage, it is still has a long way to be considered so. Starting point should be taken from developing strong unified theoretical basis and then gradual implementation with constant ongoing monitoring of the results.

2. The economic situation in modern Russia is caused by the transition period from Soviet Union economy into the current market economy. However, such features as power distance, total control and bureaucracy stayed without change. All these factors prevent Russian companies from modern development and switching to modern IT technology implementation.
3. Dom Knigi's BPM model is quite typical since the company was formed in the times of Soviet Union economy and still works on that standards. Ekaterina said that just one year ago the top management was changed and this caused the changes of Chief Accountant, Commercial and Trade Directors. Now less books are sold in the store, more souvenirs are placed, the store loses its reputation as the historical destination and big book store step by step. Current board of directors plans to change the IT department employees in the last term. If this happens, the new formed department will spend long periods of time to be educated to work with the IT system in the store, since the current one was developed by the current IT team just for the needs of exactly this store. Possible costs of recharging can be count now. However, they will be quite

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serious as the situation in the books technology market changes tremendously and e-books and online service displace the old books retail.

5.2 Implications

This Master Thesis will be useful to every student and researcher, especially to Norwegians who are very interested in the Russian development, economy and innovation and entrepreneurial development. This Thesis shows a BPM model of a typical Russian company, and its problems and mistakes can be used as an experience for other companies and people to learn how to develop and drive business more effectively and efficiently.

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