

PROCESS MANAGEMENT ORIENTATION IN THE FINANCE AREA OF SMALL AND MEDIUM-SIZED ENTERPRISES

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Summary: Business processes management (BPM) is a comprehensive approach to implementation of the objectives of an enterprise. The identification of key processes occurring in enterprises enables a more effective management of an enterprise and becomes the key to its success. Every element of the activity of an enterprise should be subject to an effective management. This applies particularly to the area of corporate finance, which is crucial for the efficient functioning of the company. At the same time it is an area in which activities are combined in standardized processes, which should be managed and continuous improved. The article presents the results of empirical research - the survey was conducted in 2015 on a group of 138 enterprises in Poland. The main aim of the article was to identify and analyse enterprises' orientation on BPM, especially in the area of finance, both in current finance, as well as in long-term finances and with a special focus on the SME sector.

Keywords: business process management, financial management, enterprises, SMEs

1. Introduction

Business Process Management (BPM) in an enterprise is an approach to management that concentrates on optimizing the ways business processes in organisations run. BPM refers to a number of areas of a company's operation, such as production, logistics or finances of enterprises. Process management orientation of an enterprise in the financial area has an impact on its efficient functioning and is part of strategic management of an enterprise. As stressed by Liu (2010), strategic management in this area refers to the theory of finance management, according to which finances of an enterprise should be run in the most appropriate way and managed in the most effective way, which can be ensured by using process management in enterprises.

SME sector is an important group of enterprises, which until recently have shown a general tendency not to include elements of process management in their strategy of action (Zimmerer, Scarborough 2005). Failure to identify the existing business processes in finances and make efforts to effectively manage them may represent a threat to this sector of companies (Salazar, Soto & Mosqueda 2012).

2. The character of business processes in an enterprise - selected aspects

Processes can be defined as a sequence of tasks performed within an organisation (Schulte et al., 2015). A business process consists of a set of activities that are performed in coordination within an organizational and technical environment (Gómez-López, Gasca & Pérez-Álvarez, 2015). BPM is a comprehensive approach to the implementation of an organisation's goals and its aim is to increase the efficiency and effectiveness of organizational processes through improvement and innovation (Hamer 2010; Sipa 2010). Every element of the activity of an enterprise should be subject to an effective management. From this perspective, business process management can be defined as all efforts in an organization to analyze and

continually improve fundamental activities such as manufacturing, marketing, communications and other major elements of company's operations (Zairi 1997). The approach of describing organizations in terms of business processes not only helps organizations to be more responsive to environmental changes but also helps them to overcome the problems due to functional differentiation (Melao, Pidd 2000; Tomski 2011). Very often, an enterprise may need to perform a dynamic analysis of their business processes so as to simulate and evaluate different sets of processes that could ensure the efficiency and effectiveness of the business process flow as well as improve the overall performance of the enterprise (Alera, Borrajo, Camacho & Sierra-Alonso, 2002; Gorzeń-Mitka 2013). In every area of an enterprise's activity, including management of finances, BPM involves a detailed analysis of an organisation, and thus a change to the organisational structure (Guha, Kettinger 1993).

As most problems of SMEs have a financial nature (Karadag, 2015), bad management of a company's finances may lead to problems in the operation of this sector (Jindrichovska, 2013). Particularly lack of financial management knowledge combined with uncertainty of the business environment often leads SMEs to face serious problems regarding financial and overall performances, which can even threaten the survival of the enterprise (Kaya, Alpkan 2012). A chance and challenge in this sector is the process approach in the areas of financial analysis of an enterprise, cost management in an enterprise and management of profitability, liquidity and financial control.

3. Business processes in managing finances of enterprises in empirical studies

3.1. Research description and methodology

The aim of the authors' own research was to identify and analyse enterprises' orientation on BPM, especially in the area of finance, both in current finance, as well as in long-term finances and with a special focus on the SME sector. The survey used purposive sampling. It was conducted in 2015 on a group of 138 enterprises classified, according to the size of employment, as small, medium-sized and large enterprises⁷. The research sample was not fully representative, but the size of the research sample certainly allows the authors to draw initial conclusions and identify regularities that can be verified during the further studies.

The dominating group among the enterprises surveyed comprised small companies employing from 10 to 49 people, which accounted for 69% of all the companies surveyed. The second dominating group comprised medium-sized enterprises (50-249 employees), which accounted for 20% of all the enterprises surveyed, whereas 11% of those surveyed were large enterprises. The largest group of companies (65.7%) has operated on the market for over 10 years; 18.6% of them declared functioning on the market for 5 to 10 years, whereas the remaining companies have conducted their business activity for a year to 5 years. Among the enterprises surveyed, almost 55% declared good current financial condition, and over 23.5% assessed their financial condition as very good. Only 3% of all the respondents assessed their current financial situation as very poor or poor.

3.2. Identification of business processes in management of finances of enterprises

The relationships between the variables: number of employees, period of functioning of the company and current financial situation of the enterprise and the answers to the questionnaire

⁷ The survey did not include micro-firms (up to 9 employees), due to the fact that business processes rarely occurred in such companies and firms entering the market (functioning for a period shorter than 1 year).

questions on rank scales (gradable), in the areas of financial analysis of an enterprise, cost management in an enterprise and management of profitability, liquidity and financial control, were analysed by computing tau-Kendalla and correlation coefficients. Test probability at the level of $p < 0.05$ was accepted as significant, whereas test probability at the level of $p < 0.01$ was accepted as highly significant.

Table 1: Diagnosis of business processes in the areas of financial analysis of enterprises

	Number of employees in the company		Period of activity of the company on the market		Current evaluation of the financial situation	
	tau	p	tau	p	tau	p
<i>Financial planning</i>	0.2321	<0.0001	0.0338	0.5533	0.1507	0.0082
<i>Analysis of a company's revenue</i>	0.2531	<0.0001	0.2074	0.0003	0.0767	0.1790
<i>Analysis of a company's costs</i>	0.2048	0.0003	0.0724	0.2047	0.1138	0.0461
<i>Analysis of the value of a company</i>	0.2085	0.0003	0.0776	0.1735	0.2083	0.0003
<i>Analysis of financial liquidity</i>	0.2138	0.0002	0.0363	0.5243	0.1313	0.0214

Source: Own work based on a survey.

Own research shows that the use of process management in the areas of financial planning, i.e. development of plans, analysis of revenues and costs of an enterprise, analysis of an enterprise value and financial liquidity are statistically highly relevant ($p < 0.01$) and positively correlated at a moderate level with the number of employees, i.e. the bigger the number of employees in a company, that is the bigger the enterprise, the bigger the awareness of business processes in the areas of financial analysis of the activity of an enterprise. As far as the period of the functioning of a company is concerned, this relationship was found only when analysing revenues of a company, which may indicate that enterprises that have been functioning on the market for a longer period of time have to have business processes and process management in place, if they want to operate effectively and be competitive on the market (table 1). Summing up, the survey showed that the size of an enterprise mattered during process management in the area of finances of enterprises, which is conducive to effective management.

Table 2: Diagnosis of business processes in the areas of managing costs of enterprises

<i>Management of:</i>	Number of employees in the company		Period of activity of the company on the market		Current evaluation of the financial situation	
	tau	p	tau	p	tau	p
– <i>employment costs</i>	0.2939	<0.0001	0.0928	0.1038	0.1518	0.0078
– <i>production costs</i>	0.1844	0.0012	0.1517	0.0078	0.1379	0.0157
– <i>administration costs</i>	0.0416	0.4656	0.1124	0.0488	0.1046	0.0666
– <i>financial costs</i>	0.0765	0.1802	0.0638	0.2634	0.1773	0.0019

Source: Own work based on a survey.

The survey also showed that among the areas of cost management, only management of production costs is statistically highly relevant, at a low level with the number of employees in an enterprise, period of functioning of an enterprise and evaluation of the current financial activity of a company. Thus, the bigger the enterprise, the longer it has been functioning on the market and the better its financial situation, the more frequently business processes are identified during managing production costs (table 2).

Table 3: Diagnosis of business processes in the areas of managing profitability, liquidity and financial control in enterprises

	Number of employees in the company		Period of activity of the company on the market		Current evaluation of the financial situation	
	tau	p	tau	p	tau	p
<i>Management of profitability</i>	0.2483	<0.0001	0.0346	0.5445	0.1140	0.0457
<i>Management of financial liquidity</i>	0.1241	0.0296	0.0305	0.5926	0.2314	0.0001
<i>Financial control</i>	0.2000	0.0005	0.1964	0.0006	0.1038	0.0687

Source: Own work based on a survey.

The survey shows that financial control in the enterprises analysed is statistically highly relevant and positively correlated with all the characteristics of enterprises, which means that in enterprises that are larger, have been functioning on the market for a longer period of time and have a better financial evaluation, BPM occurs more often within financial control of a company and there is more awareness of the necessity of using process approach in this area of management of finances of enterprises (table 3). This seems justified, as bigger and older companies, having more experience and resources, both financial and human ones, pay more attention to the development of business processes during management of an enterprise.

4. Conclusions

The aim of the survey conducted on a group of enterprises carrying out business activity in Silesian Province (Poland) was to identify and analyse BPM orientation of enterprises, especially in the area of finance, both in current finance, as well as in long-term finances and with a special focus on the SME sector against large companies. The questionnaire survey shows, among other things, that:

- the size of an enterprise matters during process management in the area of finances of enterprises, as the bigger an enterprise, the bigger awareness of occurrence of business processes in the areas of financial analysis of an enterprise’s activity,
- business processes and process management are necessary for enterprises that have been functioning on the market for a longer period of time, if they want to operate effectively and be competitive on the market,
- the bigger an enterprise, the longer it has been functioning on the market and the better its financial situation, the more often business processes occur during management of production costs,
- in enterprises that are larger, have been functioning on the market for a longer period of time and have a better financial evaluation, BPM occurs more often within financial control of a company and there is more awareness of the necessity of using process approach in this area of management of finances of enterprises.

It's worth considering conducting similar studies on a bigger population to identify regularities and present recommendations to enterprises that identify business processes during managing their company.

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