



Process-Based Resilience: A Consolidated Model for Sustainable Performance of Small and Medium Enterprises

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ABSTRACT

The paper aimed to bring to light issues on resilience, specifically its link to process orientation. Resilience or absence of, has threatened the sustainability of organizations at diverse magnitude. Being a prerequisite for sustainability, the understanding of resilience is paramount. Understanding this concept will not only be of theoretical benefits but also sensitize the sector about the potentials of process-based resilience strategy and about investing in its implementation as a business strategy to improve sustainable performance. Hence, this study provided a comprehensive picture of the reality of sustainability in the small and medium enterprise sector. Though, the functioning of resilience is interlinked with many factors, areas covered include knowledge management, coordination, and alignment. This paper concluded that the potentials of process-based resilience strategy should not be overlooked and investment in its implementation as a business strategy will improve sustainable performance. It recommended the need to look beyond generalized performance issues external to the businesses, to intricacies that may be peculiar to each business establishment.

Key words: Resilience, Process-Orientation, Sustainability

Introduction

Abdul-kemi (2015) avers that the Nigerian government has over the years been more sensitive to the need to create a friendly business climate supportive of the needs of the small and medium scale enterprises (SMEs). Several schemes and institutions have so far been established in Nigeria since independence, to finance and extend credits to SMEs. These include the direct financing and establishment of agricultural development programs such as Farm Settlement Schemes (FSS) and River Basin Development Authorities (RBDA) between 1950-1960; the establishment of Nigerian Industrial Development Bank (NIDB) in 1964 and the Nigerian Agricultural and Cooperative Bank (NACB), now Bank of Agriculture, in 1973 to provide soft credit facilities to the farmers and small and medium scale industries; the establishment of the Peoples Bank of Nigeria (PBN), Community Banking Scheme in 1990, and the establishment of the Family Economic Advancement Programme (FEAP) in 1997; the establishment of the Nigerian Agricultural Cooperation and Rural Development Bank (NACRDB) by the merger of FEAP, NACB and PBN in 2000; the establishment of the Micro Finance Bank (MFB) Scheme in 2005; the Small/Medium Industries Equity Investment Scheme (SMIEIS) in 1999; Bank of Industry in 2000; The "National Directorate of Employment" (NDE); The "Small and Medium Enterprises Development Agency of Nigeria" (SMEDAN) in 2003; the establishment of "Entrepreneurship Development Centres" (EDCs); and the establishment of "Youth Enterprise with Innovation in Nigeria" (YouWIN) in 2013. Based on the above-mentioned schemes, it is glaring that government made persistent effort towards developing entrepreneurship in the country.

It is, therefore, a matter of concern that, in spite of the fact that these schemes were set up to deliver solutions to the popularly acclaimed impediments to entrepreneurial performance, the expected results with regards to performance, sustainability, and economic development have remained elusive. It therefore becomes imperative to consider another possible challenge to sustainable performance of entrepreneurial firms in Nigeria and proffer a possible solution. The majority of enterprise structures today have little to no process orientation and are instead built on functions. Because no one "owns" the problem of how long it takes or how much it costs to fulfill customer requests, functionally organized organizations frequently struggle to meet customer expectations across different departments (Davenport, 1995). This goes to show that little or no attention is given to business process and response to changing technology.

Business Process

Ross and Moore (2006) described business process as a set of logically related tasks, performed to achieve a stipulated business outcome. Business Processes are designed to add value to customers and therefore should include necessary activities. They describe a series of activities performed in some order, have a goal, specific inputs and outputs, uses resources, and may affect more than one organizational unit and creates value for the customer (Mlay,

Zlotnikova, & Watundu, 2013). The whole business of an organisation is carried out through business process. Dowdle and Stevens (2014) aver that there are significant benefits realized by customers, employees, shareholders, and other stakeholders of organizations that strive to become process based. While early contributions focused on the design and re-design of single processes, contemporary research calls for holistic view of the management of organizational processes (Brocke & Roswemann, 2014). Although management understands the need to manage and improve processes, few do so on an ongoing, integrated basis. Quite often, process improvement projects improve process models, and yet when they are “successfully” completed, they have sub-optimized the performance of the organization. Therefore, while it is commendable to manage the performance of individual processes; however, a larger and enduring impact comes through managing an organization’s portfolio of processes in an integrated fashion, that is, by becoming a process-based organization (Dowdle & Stevens, 2014). Processes are at the center of today and tomorrow’s competition. As organisations stack up efforts in process improvements, they gain experience and develop a process-oriented view. “An organisation can be more or less process-oriented depending on their experience in the application of process thinking for better results” (Willaert, Bergh, Willems, & Deschoolmeester, 2007).

Several studies on process management realized that too many organizations focus on arbitrarily cutting costs without considering the impact this will have on their customers (Dowdle & Stevens, 2014). They went on to assert that even though organizations were able to dramatically cut costs, this created a notable negative impact on customer service as a result of management not focusing on the organization’s processes and how those processes deliver value to customers. Management within these organizations did not understand how all of the organization’s processes worked together. When changes were made to cut costs in one process, there was an unintended consequence in another process. Managing individual processes is not enough. To manage an organization from a process perspective, the management of any organization manages the interaction between processes in the organization’s portfolio of processes in a systematic way thereby proactively managing the cost and quality of products and services provided to customers. Indeed, creating an organization based on processes appears to be more challenging than redesigning activities or experimenting with incorporating a process model as an additional structure within a traditional functional or divisional model. Besides structural elements, it is crucial to consider the alignment of all the important organization design elements which are likely to be relevant to the design, implementation and management of business processes such as management style, performance metrics, people practice, and organizational culture (Hernaus, 2008). The design of organizations around processes is thus a significant challenge for managers (Kiraka & Manning, 2005). With the possible exception of a new enterprise, the journey to become fully process-based does not occur quickly. A process implementation plan needs to keep management engaged and committed; address what needs to be put in place and when; create a structure to communicate to all of the organization’s stakeholders to keep them aware, involved and onboard with the journey so that they understand what is in it for them; and to look at how work will change, how roles will evolve, and how performance will be measured, monitored, and communicated on an ongoing basis (Dowdle & Stevens, 2014). For this study, business process is stated to mean an integrated set of corporate organisation capabilities related to methods, strategic alignments, governance, people practice, technology, coordination, and organizational culture.

The Process-Oriented Organization

A process-oriented organisation describes an organizational form which mostly addresses the integrative and aligning nature of processes (Hammer & Champy, 2003). The focus of any process-based organization is on the horizontal dimension, which supports relationships between functions. Such an organizational form is more flexible, responsive, and adaptive, than traditional ones. It handles changes better and delivers value to the customer. The most valuable strength of the process-based organization is that it can significantly increase the company’s flexibility and response to changes in customer needs because of enhanced coordination (Hernaus, 2018). This structure directs everyone’s attention toward the customer, which leads to greater customer satisfaction as well as improvements in productivity, speed, and efficiency. In addition, employees take a broader view of organizational goals rather than being focused on the goals of a single department because there are no boundaries between functional departments (Daft, 2006).

One of the differences between process-oriented organizations and typical function firms is the pillar of process ownership. As organizations adopt process orientation, the managerial role of a process owner appears. Process ownership is one of the main pillars and distinguishing features of process-oriented organisations. To successfully implement business process management to substitute purely traditional functional hierarchies, process owners should possess certain competencies. Created process structure should however not entirely replace the existing organizational structure but should complement it. According to Nesheim (2011), process owners work in dialogue with functional managers and define key performance indicators, standardize processes, develop competencies and allocate resources in a process. Rumler and Brache (2013) explained that white spaces between departments in the organization structure are filled with process interfaces and process owners are responsible for the solution of such matters. The process owner should be open to changes, motivate and develop, and cooperate with functional managers within a process (Hammer & Champy, 2003). The most noticeable difference between a process enterprise and a traditional organization is the presence of process ownership. In a traditional organization, a geographical or functional manager oversees both the operations and the people performing them while in a process-oriented organization, the process owner is responsible for the effective and efficient execution of a process (Reijers & Peeters, 2010). Process ownership is generally recognized as a crucial element in the effectiveness of process-oriented organizations. Kohlbacher and Gruenwald (2011) attributed to process owners the responsibility for process performance measurement and improvement. They aver that organizations with implemented process ownership and process measurement exhibit higher performance than companies with only one of these components. Kohlbacher & Reijers (2013) proved the positive effect of process approach, especially process performance measures, process oriented organizational structure and culture, and continuous improvement methods on the overall performance of the organization.

To survive in uncertain environments and to foster future success, organizations must be able to handle all of these manifestations of the unexpected. Firms need to develop a resilience capacity which enables them to adequately react to unexpected events and to capitalize on events that could potentially threaten an organization’s survival (Lengnick-Hall et al. 2011). According to Hrabal & Tuček (2018), resilience competence model is structured into

competency clusters- knowledge, skills and social competencies. To develop a resilient organization, it is important to engage and utilize effectively the key resources and assets (financial, material, social, and networks) by developing organizational capabilities (dynamic and operational) and organizational learning (culture, attentive leadership, employee wellbeing, and decision-making).

A more process-centered mindset with people is reflected in the fact that they more often work together with people in other departments in a proactive way. Sharing knowledge and learning more with cross-functional knowledge and teamwork are also characteristics of such a mindset. This can only be attained on condition that people are involved and trained in methods for business process improvement. Effective management of human resources is part of any process improvement initiative. Implementing a process-oriented organisational structure will have no effect if people's mentality does not change accordingly. Evading behaviour with regard to task responsibilities and other dysfunctional habits have to be avoided, and room created for a culture of cooperation and strongly imposed customer orientation. Increasing involvement can only be achieved by communicating a mission and organisational strategy which is meaningful and inspiring, and also by setting up objectives which are not only clear, but also feasible. The alignment of important organization design elements such as management practice, performance metrics, people competencies, career paths, organizational culture for process environment is a requirement for process focus (Hernaus, 2018). The process-based organization addresses the alignment challenge by first aligning the core business processes to enterprise goals and strategies, and then aligning the apparatus of the organization (structures, systems, and resources) to meet process needs (Gardner, 2004). The ability to develop solutions not only means idea generation, but also coordination. When decisions must be made promptly and failures could have dramatic consequences, formal and informal coordination mechanisms are important (Faraj and Xiao 2006). They posit that expertise coordination practices are necessary to manage the distributed knowledge and ensure timely application of needed expertise. They further suggest that dialogic coordination practices are time-critical responses to unexpected events that ensure failure-free operations. While firms need formal structures and clear responsibilities for quick decision making and immediate response, firms also need openness and freedom for flexible and creative action. Coordination mechanisms are mediated by relational coordination, a relationship-intensive form of coordination and seem to play an important role in helping to facilitate system-wide alignment and thus, a whole-system response (Duchek, 2019). Knowledge base of a firm acts as a main antecedent for anticipation dimension. Organizations must be able to reflect on the current situation and to incorporate the gained insight into the existing knowledge base. They must be able to act on this knowledge to produce change (Edmondson, 2002). In this study, process-based resilience will be operationalized by human resource flexibility, strategic alignment, organizational agility, and knowledge management. A summary of core indicators of a process oriented organisation is presented in the figure 1.

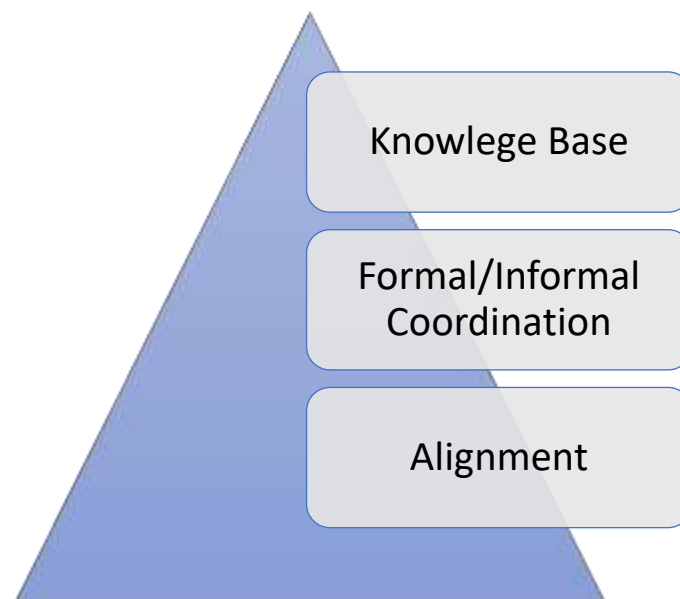


Figure 1. Organisational Resilience

Process-Based Resilience for Sustainable Performance

Currently, because of globalization, the performance of an organization depends largely on the effectiveness and flexibility of its leaders (Soebbing, Wicker, & Weimar, 2015). The performance of an organization also depends on its employees, who are a key part of the organization and form the team that works toward achieving the organization's goals. The effectiveness of an organization consists of the efficiency of each of its individual employees (Mastrangelo, Eddy, & Lorenzet, 2014). A multidimensional structure with process ownership as a key dimension appears to be more viable than a purely process-based organization. Despite a broad range of studies, there are still some gaps both in literature and in practice, as some relevant issues have not been fully addressed and the lack of a clear strategic roadmap still affects many process orientation initiatives (Angelo et al, 2010). Well-defined business processes accelerate work, increase inner order, decrease expenditures, support the increase of the product quality as well as the general

organizational activities and skills (Kaniški & Vincek, 2018). Process orientation makes organizational structures and business processes more easily coordinated and provides a horizontal viewpoint on company activity. It tends to make the processes themselves transparent and advances the organisation. One can say this is not only about the new approach to business, but an entirely new way of thinking about organizations and how business is performed within them (Kohlbacher & Reijers, 2013). The business process orientation represents a new business philosophy which facilitates not only the vertical but also the horizontal flow of information and resources needed for the accomplishment of organizational objectives. It observes organization from the customer's point of view. It is focused on the activities within or among organizations that create added value, that is, it is focused on the activities contained within business processes. Process orientation is characterized by the greater connection and coordination of different departments within an organization into an interrelated unit. By doing that, roles of each individual activity and their impact on the organization as a whole are taken into account (Kaniški & Vincek, 2018).

Increasing evidence has been found showing the strategic value of processes. McCormack and Johnson (2001) posit that firms with strong signs of process orientation perform better. The development of process oriented in an organisation will lead to positive outcomes, both from an internal perspective and a resultant perspective. Process Orientation has been shown to reduce inter-functional conflict and increase interdepartmental connectedness and integration, both of which impact long and short-term performance (Willaert, Van den Bergh, Jurgen Willems, & Deschoolmeester, 2011).

Conclusion

This paper extends to intricacies that exist within the relationship between the enterprise and its environment towards exploiting the resources that generate their present value while also exploring new opportunities to adapt it to changing markets. The potentials of process-based resilience strategy should not be overlooked and investment in its implementation as a business strategy will improve sustainable performance. Hence, this study provides a comprehensive picture of the reality of sustainability in the small and medium enterprise sector by emphasizing the application of a balanced strategy that cuts across every part of the enterprise, which is imperative for enterprises that are willing to remain relevant as the business environment changes.

Recommendation

There is need for an extension of horizon beyond generalized performance issues external to the businesses to intricacies that may be peculiar to each business establishment. There is need for regulatory agencies to determine and adapt new contents relevant for SMEs education and training programs such as research and development, forecasting, business-environment fit, resource integration, amongst others, in their training curriculum.

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