



METHODOLOGICAL ASPECTS OF IMPLEMENTATION OF BUSINESS PROCESS OUTSOURCING

Darius KLIMAS¹ and Juozas RUŽEVIČIUS²

¹ *Lector and PhD student, Vilnius University
Saulėtekio Ave. 9, LT-10222 Vilnius, Lithuania
E-mail: klimasdarius@yahoo.com; Tel.: +370 685 27548*

² *Professor habil. dr.
International Business School at Vilnius University
Saulėtekio Ave. 22, LT-10225 Vilnius, Lithuania
E-mail: juozas.ruzevicius@ef.vu.lt; Tel.: +370 686 09710*

Received 8 February 2010; accepted 12 April 2010

Abstract. *The concept of process management is currently becoming one of the key new directions of improvement of organizational performance and the theory of management. Identification and speedy implementation of changes are particularly topical issues in the context of the present-day global crisis. The article considers the issues of process management and change implementation in an organization through business process outsourcing and identifies the principal sources of risk. The authors present a model of process reengineering and change management for the purpose of a successful implementation of business process outsourcing projects; the model's application could provide organizations with additional possibilities of identification and assessment of the possible risks relating to implementation of business process outsourcing. A conclusion is drawn that the proper choice and implementation of the model and strategy of business process outsourcing and reengineering may enhance the organization's competitiveness.*

Keywords: process management, business process outsourcing, business process reengineering, management system reengineering, changes management, total quality management, risk management.

Introduction

Seeking to improve the quality of performance and products, a growing number of organizations are forced to speedily reorganize their activities, drop unprofitable activities, optimize business and perform efficient reorganization. Identification and speedy implementation of these changes are especially topical in light of the current global crisis. Such reforms, especially when they are not preceded by appropriate and systematic preparations, are often difficult to put in practice and might become a fateful trial of the organization's performance or even of its survival on the market. The role of the manager during this period is crucial – he must inform and persuade employees and all the parties concerned of the inevitability of changes, identify and assess possible risks and the ways and means of overcoming them. It is solely after the majority of the organization's employees accept the decisions on changes as taken by top management and agree with the proposed actions and measures that it is possible to expect the changes to have effect. There is a variety of motives for business process reengineering, namely, aiming to attain a better quality, seeking a more comprehensive satisfaction of the needs of customers, shortening of the duration of processes, cutting of operating expenses, etc. Operating processes can be improved on a systematic and continuous basis or drastic measures could be undertaken to radically reengineer the entire process (or even all the key processes) and, with the help of the principles and methods of business process

reengineering, a new process could be created to be subsequently included in continuous supervision and improvement. Most authors stress that changes are inevitable, but they also often emphasize that they are unpredictable and hard to forecast (Christensen, 1997; Campbell & Luchs, 1998). It is recommended to prepare for changes and the resulting business process reengineering without any pre-existing recipes or “insurance policies”, because a coherent and universally acceptable system of assessment of the efficiency of process improvement instruments still does not exist (Bowman, 1998; Hammer & Champy, 2003; Drucker, 2004; Smith, 2007; Stern & Deimler, 2006).

The principal object of this paper is the sources of risks in relation to process management, business process outsourcing, management systems improvement, and change management. The scientific problem of the article is a more efficient use of the organization’s performance management and process improvement instruments for the purposes of enhancing maturity of the organization’s management and implementation of systemic changes. The aim of the article is to develop, on the basis of the issues of introduction of process management, business process outsourcing and introduction and implementation of change management considered in scientific literature, their generalised results and data of a reconnaissance study of organizations conducted by the authors, a model of process reengineering, business process outsourcing and change management which could simplify and facilitate identification of possible risks and the causes of their occurrence.

Methodology: the article has been prepared by using a systemic analysis of the scientific literature on the topic under investigation and employing the results of the reconnaissance study of the country’s organizations as performed by the authors. The study aimed at establishing the approach of enterprises towards process management, business process reengineering, and business process outsourcing as well as risk management. 122 organizations from the Top 500 list of Lithuanian companies published by *Verslo Žinios* have been surveyed. The mentioned number of the enterprises surveyed has allowed to obtain the study results with reliability of at least 90 per cent.

1. Process management

A process is the entirety of interrelated or interacting actions of an organization which transforms input into output (product). In the practice of enterprises, a process is understood as a chain of actions (partial steps towards attainment of a work result) with a defined beginning and end (Ruževičius, 2007). The process joins material, financial and intellectual resources (including human resources) as well as the activities required to attain the result. The output of one process is frequently the input of another. Systemic identification and measuring of such processes, analysis and control of their interaction are referred to as the *process approach*. The required result is attained much more efficiently when the activity and related resources are controlled as a single process or their system. On the other hand, the quality of results of a properly planned and efficiently managed process is higher and predictable. There is no uniform categorisation of business processes, however three groups of the processes are usually distinguished:

- 1) critical processes (the processes of strategic management and control of the management system);
- 2) key processes (planning and improvement, creation and implementation of new products and services, purchasing, production or rendering of services, the customer-related processes, etc.);
- 3) support processes (human resources and infrastructure management processes).

Quality must be planned for each operating process, just as expenses or deadlines are planned.

On the other hand, it is of crucial importance to have in place measurable quality goals (Olve *et al.*, 2001; Ruževičius, 2007).

With a view to determining the standpoint of our country's enterprises on process management, business process reengineering and risk management and analysing in detail the directions and content of prospective systemic research, a reconnaissance study of organizations was conducted in May 2009. The survey covered 122 organizations from the *Top 500* list of the largest Lithuanian companies by turnover published by *Verslo Žinios*. The study revealed that 65 per cent of the surveyed organizations of our country claim to have implemented process management or are currently implementing it. On the other hand, over a half of the mentioned enterprises systematically carry out business process reengineering, whereas as few as one third of them systematically identify and manage the risks posed by process reengineering. However, it is a matter of regret that in almost a half of the surveyed enterprises process improvement is not directly associated with the strategic goals of the organization, and that top management does not participate in process reengineering, which may considerably diminish the effectiveness of the innovation activity under analysis.

The origins and underlying philosophy of process management are defined by Total Quality Management (TQM). TQM is a structured philosophy of improvement of organizations and their performance which requires engagement or self-engagement of each member of the organization as well as the partners (and other parties concerned) and focuses on all aspects of the organization's operating processes with a view to meeting and exceeding the needs of customers. From a global perspective, TQM could be defined as a *science* and the *art* of organizational management as well as *management practice* creating added value and values for a *harmoniously developed organization and society* (Ruževičius, 2008).

Business process management covers process engineering (reengineering), modelling, implementation, supervision and optimization, which ensures optimum functioning and interaction of the entirety of processes. Much attention should be paid to a proper process modelling, because it provides a basis or general view facilitating the identification of process shortcomings. Identification should employ appropriate methods and measures which would help not only to determine the weaknesses of the processes, but also develop the awareness of employees in the area of quality. The key principles of process improvement or reengineering include the ideas of process measuring and initiation of changes with a specific result. Integration of process-based management in an enterprise is implemented by incorporating business process management into the organization's strategies, developing the competences of a new level, creating a knowledge base of the entirety of processes, and reinforcing the view that business process management is a long-term goal of the enterprise, etc.

2. Types and stages of implementation of business process outsourcing

Generalization of scientific sources permits the following definition of business process outsourcing. Business process outsourcing (BPO) is the long-term contractual delegation of management and/or operational responsibility of internal business processes or systems along with the associated operational activities and responsibilities to an external services provider, a third party with at least a guaranteed equal service level (Lawler III *et al.*, 2004; Clemetns *et al.*, 2004; Click & Duening, 2005; Halvey & Melby, 2007).

The reasons affecting the implementation of BPO projects are often highly varied depending on the activity carried out by an organization, its scope and geography as well as the existing corporate culture, maturity of control or management and the competitive pressure on the market. The following are most frequently listed as the main and essential reasons (Clemetns *et al.*, 2004; Lawler III *et al.*, 2004):

- decreasing or insufficiently growing aspiration for effectiveness and/or efficiency;
- market globalization challenges;
- organizational growth;

- insufficient traceability of the created value for customers, investors, top management and the organization;
- insufficient self-realization of employees and decrease in motivation or its continuous decline;
- insufficient or decreasing speed of dissemination and exchange of information;
- distancing from clients and awareness of their needs;
- the mass character of the activity;
- expansion of sites of operation;
- growing productivity;
- sufficient control of the repute and/or image.

A matter of utmost importance is to properly select the type of BPO implementation and appropriately prepare for the prospective steps of implementation. Different choices of the types and stages of BPO are possible depending on an organization's situation. Clemetns *et al.* (2004) identifies the following BPO types:

- Common outsourcing – transfer of the entire functional chain or process with all available resources to third parties; the organization preserves as internal solely the setting of strategies and goals and control of compliance with the terms of the contract;
- Global outsourcing – use of cheaper resources as offered by third parties;
- Combined outsourcing – a short-term or long-term attraction of external resources when implementing major business process and/or operation reorganization;
- Consulting outsourcing – one-time attraction of highly competent or qualified employees or organizations while addressing the problems of individual projects or activities;
- Outsourcing of establishment of a new organization – establishment of a new organization whose shares will be held by the principal organization and the partners engaged (third parties).

The BPO stages distinguished by Clemetns *et al.* (2004) are as follows:

a) The transition period:

- Determination/definition of the possible scope of transferred services or production volume;
- Preparation for organizational changes (ensuring of finance capital adequacy over the short-term period, legal and organizational documentation related to organization of works or activities and preparation of employees for the changes);
- Transfer of assets;
- Transfer of provision of services/manufacturing of products;
- Transfer of the staff.

b) Execution:

- Theoretical/probabilistic ensuring of the scope of services or production volume;
- Determination of the principal profit/income sharing scheme;
- Determination of the principles of fair compensation;
- Correction mechanisms.

c) Termination:

- Agreement on termination of the contract;
- Economic issues of termination of the contract.

3. Benefit and risks of implementation of business process outsourcing projects.

The experience of companies in implementing BPO allows to point out the main benefits to be gained (Clemetns *et al.*, 2004):

- Opportunities for cardinal (major) reorganization of management of organizations' performance. BPO is not only a tactical, but also a strategic management instrument. A matter of importance for each organization is to create its own model of BPO implementation which would provide a stimulus and/or motivation for further changes in the organization's management.
- A simplified and increasingly horizontal organizational structure. The essence of BPO projects lies in the handover of certain functions, processes and systems to third parties concurrently transferring responsibility for their control and timely submission of the product created by them.
- Active introduction of innovations. By transferring internal processes and/or functions and systems, more freedom is given to internal human, technological and time resources for the implementation of other projects enhancing efficiency and/or effectiveness.
- Enhanced opportunities of the use of knowledge and other immaterial asset. A broader use of available technological resources. Implementation of BPO projects also includes a transfer of a part of the human capital, hence the employees remaining in the organization need to develop their current competences and qualification and broaden the scope of their application in the organization's activities, which allows to make use of available knowledge and potential gained from other processes or functional activities.
- Opportunities to attract highly qualified and broadly competent human resources.
- Strengthened internal relations. In the course of implementation of BPO projects, the activities pursued and their management are explicitly and unambiguously defined and are clearly understood by the organization's employees as to who, when and for what is responsible, which provides an explicit motivation for the staff to be "complaisant" towards other colleagues, as they are aware that the same official relations will be maintained with them.
- Increase in quality of the products or services created and used internally.
- Creation of possibilities to recruit staff with a higher/broader qualification and competence as well as a greater potential. A new source of motivation is created for this type of employees, who value and seek to make full use of and to develop their competences and qualification.
- Increased forecastability of financial costs. Implementation of BPO projects and transfer to third parties of internal processes, functions or systems also involve a transfer of liability for financial costs, that is, third parties provide services at a fixed rate.
- Reduction of operational costs during the periods of insufficient load in terms of technologies and other resources.
- Improved opportunities of becoming a more aggressive marketing company in respect of competitors. Possibilities of speedy redeployment of available resources and attraction of third parties.
- An organization's development by creating partnership relations. In this case, a matter of importance is not only to secure a timely and quality provision of the transferred services, but also partnership relations, because this is not a one-time and/or short-term project, but rather the actions which must ensure the organization's success and its development both in

terms of business and in terms of meeting of clients' needs and in terms of the organizational management.

The most frequent risks of BPO implementation (Clemetns *et al.*, 2004; Click & Duening, 2005):

- the risks of management of the human capital (motivation of the employees departing to third parties and their fast adaptation to altered conditions, the potential, knowledge and competence carried by the departing employees, departure of the employees to competitors. Similarly, a change in motivation of the remaining employees, i.e., not only the need to identify new opportunities for self-realization, but also fear of the threat of physical survival);
- the risks of control of a temporary distortion in respect of the relations established with the customers (in the cases when BPO affects client-linked processes);
- the risks of selection of third parties, evaluation and/or selection and modification of their resource capacities;
- the risks of control of a timely submission of the product created or the service provided by third parties and ensuring of the required quality;
- the possibilities of flexible changes in the activities of the third parties in the course of implementation of changes in the main organization;
- the risk of losing the speed of customer service and meeting of customers' needs (over the short-term period);
- the risks of management of compatibility of the organization's and a third party's goals and/or ambitions;
- the risks of management of a timely reorganization of the activities preserved by the organization seeking to prevent the loss of effectiveness, productivity or efficiency;
- the risks of control of equal understanding or interpretation of performance and result assessment criteria;
- the risks of project management;
- the loss of information dissemination and exchange as well as speed;
- the risks of management of increase in costs over the short-term period;
- the risks of management of intellectual property;
- legal risks;
- the risks of management of the created and expected value;
- force majeure risks.

Implementation of BPO projects requires an understanding of how and when risks may arise. The model presented in Figure 1 shows that an organization's top management must evaluate not only the advantages of BPO and possible gains, but also the issues to which special attention must be paid. All four groups are equally important in this case, i.e., it is insufficient to focus on the search for third parties and selection of partners, conclusion of a contract as a new element in the company's activities, which may be lacking in the event of implementation of a BPO project for the first time. Equal attention must be paid to other parts, i.e., 1/4 of capacities and resources should be allocated to partnership and contract management and 3/4 of capacities and resources should be allocated to the activities of reorganization, planning and implementation of changes of a process or functional model as well as the activities of the transition period.

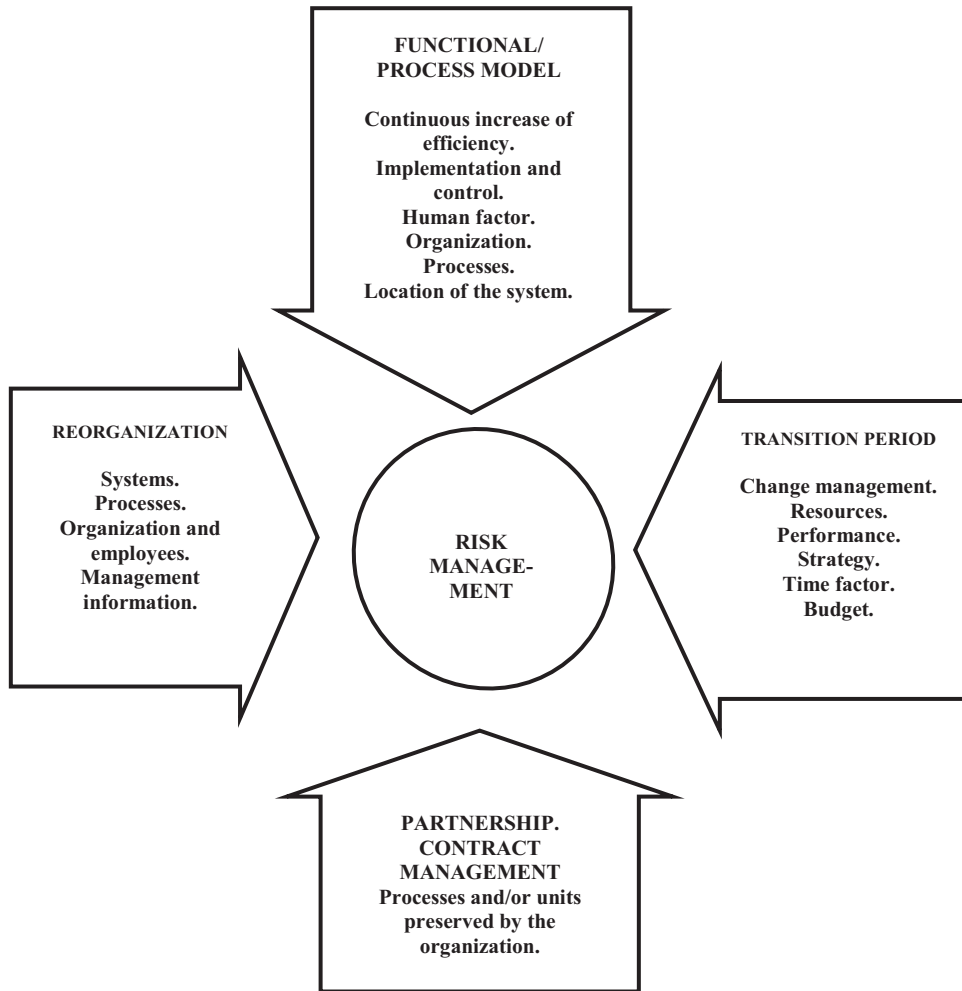


Figure 1. Management of risk components within the framework of functioning of business process outsourcing (source: developed by the authors on the basis of Clemetns, Donnellan & Read, 2004)

4. Preconditions for the success of change implementation

Business process management, which includes optimization of an organization's performance and adjustment of processes for the purpose of increase of efficiency, encounters two problem issues. On the one hand, there exists a large and continuously growing variety of management concepts, systems, processes, ways, methods, instruments, and schools of management. On the other hand, there is a pronounced gap between the theoretical analysis of the mentioned measures and their application in practice. Some senior managers are incapable of comprehending or deliberately fail to consider in detail the process reengineering measures, systems and methods offered by the science of management and justified in practice (Christensen, 1997; Hamel *et al.*, 1998; Hammer, 2001; Levicki, 2003). Moreover, change management is of utmost importance for the efficiency of performance.

Changes within an organization and the alterations it is undergoing are a reaction towards external and internal changes. All participants of the supply chain and the parties concerned (senior managers, employees, partners, suppliers, banks, etc.) respond, though differently, to the changes in the organization. Therefore, a company's top management must, in seeking to ensure the organization's existence or improvement, adjust performance objectives and processes to the environment in a broad sense and, depending on a situation, timely change, modify and

appropriately communicate them. When the objectives are transformed into specific indicators or measures and become as a new part of the organization's internal culture, they are "sensed" by all members of the organization. The changes relating to redistribution of powers and responsibility and structural alterations as well as changes in the technological process also affect the efficiency of performance of the entire organization (Bowman, 1998; Kaplan & Norton, 2004; Kaplan & Norton, 2005).

The success of implementation of changes and the resulting reengineered processes is determined by coherence of the "changes – top management – the organization's community" system (Ruževičius, 2007). The authors point out the following main imperatives of ensuring the coherence of the mentioned system:

- Speedy and systematic information of absolutely all members of the community about the goals of and reasons for changes and process improvement, measures, the current and prospective changes, problems, critical situations and the ways of dealing with them;
- It is solely after the majority of the organization's employees accept the decisions on changes as taken by senior managers and agree with the proposed actions and measures that it is possible to expect the changes to have effect;
- General meetings of the organization's members must be organized on a regular basis to analyse the satisfaction of employees' needs and implementation of requests and proposals relating to "control" of changes and the quality of life at work;
- All employees must be well aware *not only of their personal* and their division's goals and tasks in connection with changes (and their impact in the chain of creation of the added value of the entire "product"), but also be knowledgeable about the needs and peculiarities of activities of adjacent divisions as well as be able to "see" the goal and system of changes and process reengineering of the entire organization;
- Each new or reengineered process must have a specific "owner" – the manager.

The success of BPO project implementation as an instance of changes in performance organization will depend not only on the mentioned precondition, to be precise, these preconditions should be multiplied by at least two, because in this case changes are being implemented in two organizations, hence a considerable work in aiming to achieve success must be done to ensure a positive synergy effect.

5. Models of strategic change management and the psychological aspects of their implementation

The rise of change management as a separate branch of the science of management was stimulated by the fact that implementation of those changes very frequently failed due to the features of an organization's activities which had not been evaluated, were not clearly visible and were ignored when making management decisions. Decision-making is usually based on the organization's goals, technologies in use, structure, division of powers, information channels, the established regulations and procedures. Meanwhile, major changes in the organization give considerable weight to the invisible features of activities and the corporate culture: opinions, beliefs, emotions, values, various conflicts, informal relations, information channel hindrances and other issues underestimated in the formal management process. Therefore, major changes in an organization are often considerably impeded, and sometimes even completely fail due to the following psychological factors:

- surprise (when employees are not psychologically prepared to accept changes, and this may create an impression of a major malfunctioning, which may give rise to irritation or confusion among the employees themselves);
- passivity (habitual compliance with the established working procedure and other procedures with which most members of the organization associate their professional security);

- the lack of skills of working under new conditions;
- emotional side-effects (decline in self-confidence, influence on others, and communication possibilities, likely increase in responsibility and tension);
- the lack of confidence in top management;
- the fear of possible failures;
- personal conflicts with change initiators or the persons in charge of their implementation. Therefore, it is of utmost importance to ensure good relations of the manager in charge of implementation of the prospective innovation with ordinary employees who will implement the innovation. Research shows that this is another frequent cause of changes, because under so tense changing conditions people become particularly sensitive in respect of not only what is done, but also how this is done and what is spoken. On the other hand, the fear over the official status and security is often only imaginary (due to the lack of reliable information, distrust of top management or for other reasons).

Psychologist Lewin believes that one of the most frequent reasons for an unsuccessful change implementation is a hasty and unprepared introduction of changes. The mentioned author identifies three stages of development of organizational changes: “unfreezing”, intervention and “refreezing” (Vasiliauskas, 2002), see Figure 2.

<u>“Unfreezing”</u>	<u>Intervention</u>	<u>“Refreezing”</u>
<ul style="list-style-type: none"> • Interviews • Diagnosis • Consideration • Psychological adjustment sessions • Role analysis • Problem analysis 	<ul style="list-style-type: none"> • Training • Formation of working groups • Problem solution • Implementation of solutions 	<ul style="list-style-type: none"> • Full awareness of consequences • Legalization of operating processes • General training • Systems of incentives

Figure 2. Stages of change implementation (source: Vasiliauskas, 2002)

A generalization can be made that organizational management (independent of whether this is strategic or operational management) will need to be increasingly reliant on the assumption that the basis of the management policy is not a technology or the end user. They just limit it. The basis must be provided by the client’s values and the client’s solutions in respect of allocation of its net income. It is this type of the assumptions that should increasingly be the starting point for the management policy and management strategy (Jorge & Vasconcellos, 2008).

Resistance to changes is a natural and regular phenomenon, because any changes are more or less contrary to human nature. However, there exist the means of controlling the mentioned resistance. The theory and practice of management recommend the following strategies combating resistance to innovations:

- training and information. The aim of this strategy is to help the members of the organization to understand the underlying reasons for the necessity of the change. The forms of its implementation range from personal discussions up to specific reports and publications;
- participation and engagement. This strategy must eliminate justified and unjustified concerns and distribute responsibility for a successful implementation of an innovation among the largest possible number of participants. It is applied in the cases of shortage of information and when participants in implementation of a change may exert a greater impact on the success of works. This strategy is excellent from the point of view of its stimulatory effect, but it may fail if for some reasons the participants take an insufficiently efficient decision or choose an unsuccessful manner of its implementation;

- provision of incentives and support. This strategy is applied when the activity of introduction of innovations is supported by a continuous attention of top management as well as financial and moral incentives;
- negotiations and agreement on possible compensation with the organization's members evidently encountering inconveniences in connection with the innovation;
- manipulation and co-opting. This strategy is used in practice and is theoretically justified when a change must be implemented very quickly, in the absence of a possibility of proper preparation.

The main challenge currently faced by top management is an organization's leadership in changes. The change leader is searching for changes and knows how to find appropriate changes and how to ensure their efficiency both within the organization and outside it.

6. Steps in the implementation of successful changes

A change may be considered a successful one only when it brings the expected results together with controlled costs and the required timing. Incorporation of the change into daily and regular activities so that it does not become just a "one-day action" is equally important. Therefore, particular attention must be paid to implementation of "changes in the hearts of employees". John Kotter, one of business change gurus, has identified the principles of and requirements for successful changes allowing not only to control them, but also to understand them. The author links people's responsibility roles with their attitude towards changes on the basis of which people perceive, feel and modify processes and change themselves. Kotter's and Rathgeber's change model consists of 8 stages (Kotter & Rathgeber, 2005) and can be summarised as follows:

1. "Spark" people's motivation to move, engage in real and relevant change actions.
2. Form a leading change coalition with the required emotional commitment and characteristics of necessary and varied competences and levels.
3. Present the correct vision – present to the coalition a stable and simple vision and strategy focused on the emotional and creative elements which are necessary for the improvement of products and processes and enhancement of efficiency.
4. Communicate to promote a change "purchase" and ensure its "sale" (engage the largest possible number of people, communicate the key ideas in a simple manner, appeal to people's needs and responsibilities).
5. Take action – remove obstacles, create constructive feedback and secure substantial and continuous support of leaders.
6. Create short-term wins (to attain long-term goals).
7. Build on and stimulate the determination and persistence of the ongoing change implementation.
8. Disseminate changes and anchor them in the organization's activities and culture (Kotter & Rathgeber, 2005).

7. Model of processes reengineering and change implementation management in realization of BPO projects

Generalizing the process management, BPO implementation projects and process improvement models as well as methodological principles considered in this paper (Christensen, 1997; O'Connor & McDermott, 1997; Hammer, 2001; Kets de Vries, 2001; Olve *et al.*, 2001; Duck, 2002; Hammer & Champy, 2003; Clemetns *et al.*, 2004; Lawler III *et al.*, 2004; Peters & Waterman, 2004; Click & Duening, 2005; Halvey & Melby, 2007; Smith, 2007), the authors present a model of BPO project implementation as process reengineering and change management enabling to facilitate identification of possible risks and the sources of their occurrence (see Figure 3). Organizations

differ by their size, structure, operating processes and results, available resources, impact on the public and the community as well as other indicators. The scope and structure of the risks arising in the course of process management, change and process reengineering are heavily reliant on these factors. In this case, particular attention should be paid to the fact that, in one way or another, implementation of BPO projects implies a merger of or discovery of partnership possibilities between two or more organizations which certainly differ by a number of parameters, and more importantly, they will both change following completion of the implementation of a BPO project both in terms of their size and the controlled activity, hence a matter of crucial importance is to make use of the same management instruments during the same periods and at the same stages.

Change initiators and the persons in charge of their implementation, irrespective of whether they belong to a third party or to an organization outsourcing its processes, must consider in detail each stage and sub-stage of implementation of an innovation, “see” the entirety of the innovation being implemented and its constituent parts as well as the sources of and possible reasons for occurrence of risks. This could be facilitated by the use of update process flowcharts, management maps, Pareto chart and other methods of management. Of particular importance is, on the eve of commencing a change implementation, to evaluate as objectively as possible the actual situation and the psychological and emotional commitment of the employees of both organizations. For instance, organizations’ top managers are consistently preparing for changes and are getting ready for implementation of the “speeding-up” sub-stage – to “spark” employee’s motivation to address the organization’s real and relevant tasks and problems (see Figure 3). If at this point the majority of employees manifest a positive attitude towards innovative ideas and changes, the only remaining tasks will be to assess future risks and consider a situation of the community of one of the organization getting tired of permanent and longitudinal innovations and changes, what special measures could be used to “inspire” them in the future, who and how speedily could achieve this, how this would affect the duration and cost of implementation of a new change project. The authors suggest that the organizations seeking to shift their activities from the model based on the principles of functional management to a model based on the principles of process management in a more successful and speedy manner and to implement a BPO project carry out their activities according to the model offered by the authors of this article (Figure 3).

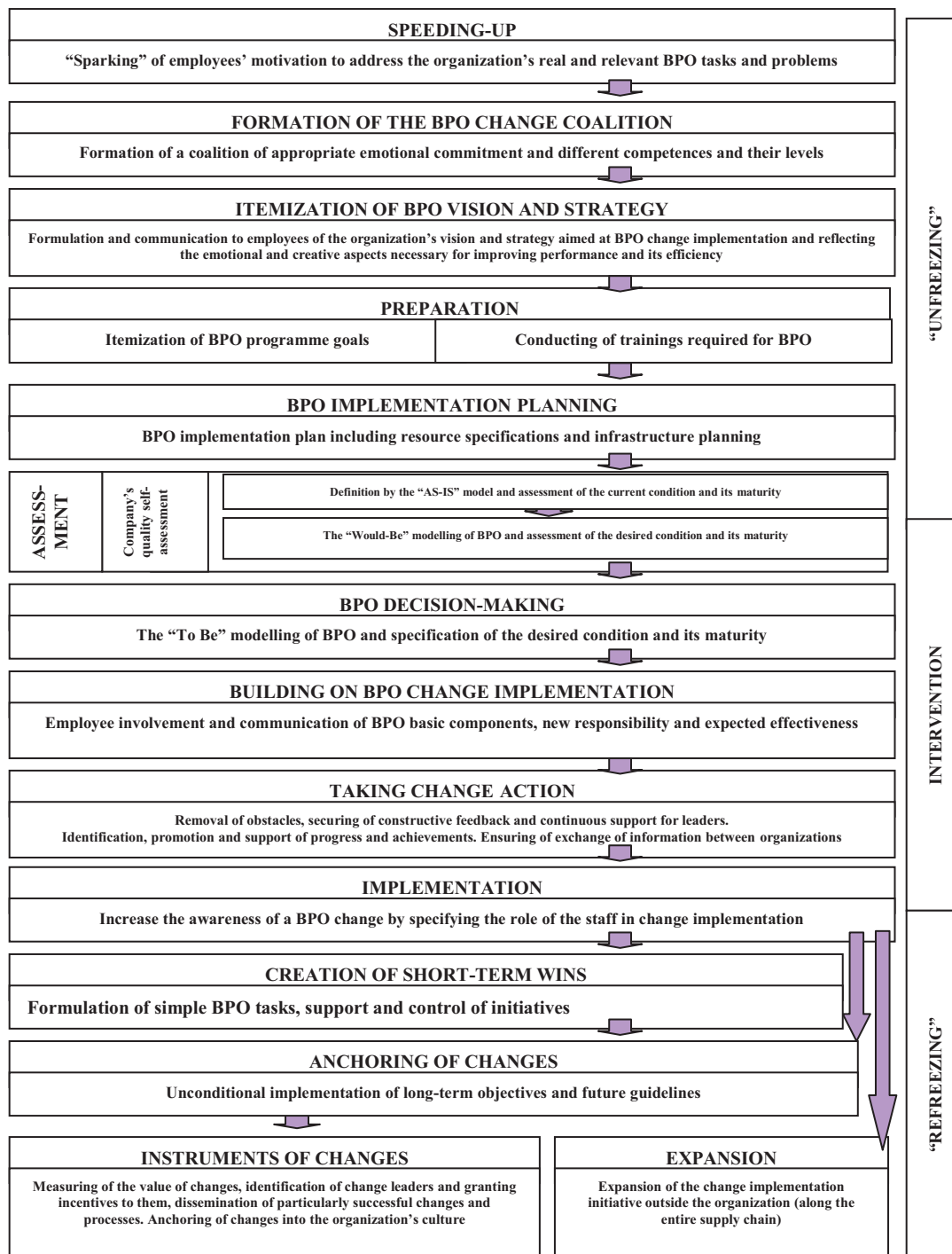


Figure 3. Model of processes reengineering and change implementation management in realization of BPO projects (source: developed by the authors on the basis of Clemenst, Donnellan & Read, 2004; Drucker, 2004 and Kotter & Rathgeber, 2005)

Application of this model of BPO project implementation as the model of process reengineering and change management not only facilitates the structuring of changes and ensuring of their implementation consistency in order to attain the set BPO goals, but also may serve as a risk prevention and management instrument. Risks could be assessed at each stage of innovation introduction according to their likely impact on the ultimate or intended change in time taking

account of available own or external resources, the cost of change implementation, and also the improvement in quality planned to be attained by means of process reengineering at a particular stage.

It must be noted that this model, once selected, must be used in both organizations, i.e., both in the organization seeking to transfer business processes to partners and in the third party organization, and actions must be thoroughly co-ordinated between the organizations to ensure that activities are carried out in parallel.

The success of change implementation depends on joining of the following three key aspects into a coherent system – the selected methodology of change implementation and process reengineering (1), the new strategic management systems, strategic thinking and strategy implementation solutions planned to be implemented (2) and the instruments of risk identification, management and prevention (3). The scope of risk as well as possibilities and efficiency of its management are determined by the following principal factors:

- the change value of the desired quality (relative improvement);
- the time required and/or allowed for each change stage and for the entire project in general (separately in each organization and the overall result for both parties);
- the level of achievement of the objectives set at the previously completed stage (the quality of the attained results) (separately in each organization and the overall result for both parties);
- the quantity of required and allocated resources (separately in each organization and the overall result for both parties);
- the competence and motivation of decision-making persons (separately in each organization and the overall result for both parties);
- the number, impact of the parties concerned and the likelihood of a conflict of interest (separately in each organization and the overall result for both parties);
- preparedness to manage arising risks (separately in each organization and the overall result for both parties).

Conclusions

Most organizations face the need to reengineer their operating processes and implement BPO projects in order to shorten the duration of works, reduce the price and improve the meeting of consumers' needs. Operating processes may be improved on a systematic and continuous basis or drastic measures may be undertaken to radically reengineer the entire process (or even all the key processes) and, with the help of the principles and methods of business process reengineering, a new process is created to be subsequently included in continuous supervision and improvement. The success of implementation of changes and the resulting reengineered processes is determined by coherence of the "changes – top management – the organization's community" system.

The origins and underlying philosophy of process management and BPO are defined by the doctrine of Total Quality Management, which could be defined as a science and the art of organizational management as well as the practice of management creating added value and values for a harmoniously developed organization and the public. Two models of organizational management currently prevail: the functional model and the process model. A generalization of their main characteristics allows to claim that the functional model gives priority to the efficient use of employee competences and time resources, whereas the process model aims at performance effectiveness by means of the efficient management of (planned, implemented and systematically reengineered) processes. An assumption should be made that, even in the case of an organization's formal management on the basis of the functional management model, there are processes existing in every enterprise, and it is actually controlled by the processes, hence a successful implementation

of BPO projects is possible. However, in this case, the processes as well as the result obtained may lack the required maturity and stability, which can bring about unexpected results.

The model of BPO project implementation as process reengineering and change management which is offered by the authors is capable of not only facilitating the structuring of BPO changes and ensuring of their consistent implementation, but may also function as an instrument of risk prevention and management. Risk could be assessed at each stage of innovation introduction according to their likely impact on the ultimate or intended change over a certain time period taking account of the cost of change implementation and also of the improvement in quality aimed at by means of process reengineering at a particular stage. The success of change implementation depends on joining into a coherent system of the selected methodology of change implementation and process reengineering, the new strategic management systems and strategy implementation solutions to be implemented as well as the instruments of risk identification, management and prevention.

References

- Bowman, C. (1998). *Strategy in Practice*. London: Pearson Education Limited. Prentice Hall Europe.
- Campbell, A.; Luchs, K. S. (1998). *Strategic Synergy*. London: International Thomson Business Press.
- Christensen, C. M. (1997). *The Innovator's Dilemma. When New Technologies Cause Great Firms to Fail*. Boston, Massachusetts: Harvard Business School Press.
- Clemetns, S.; Donnellan, M.; Read, C. (2004). *CFO Insights. Achieving High Performance Through Finance Business Outsourcing*. New York: John Wiley & Sons.
- Click, R. L.; Duening, T. N. (2005). *Business Process Outsourcing. The Competitive Advantage*. Canada: John Wiley & Sons.
- Drucker, P. F. (2004). *Valdymo iššūkiai XXI amžiuje* [Management Challenges for the 21st Century]. Vilnius: D. Radkevičiaus PĮ grupė. (In Lithuanian)
- Duck, J. D. (2002). *The Change Monster. The Human Forces that Fuel or Foil Corporate Transformation and Change*. New York: Three Rivers Press.
- Halvey, K. J.; Melby, B. M. (2007). *Business Process Outsourcing. Process, Strategies, and Contracts*. New Jersey: John Wiley & Sons, Inc. Hoboken.
- Hamel, G.; Prahalad, C. K.; Thomas H.; oNeal, D. (1998). *Strategic Flexibility*. New York: John Wiley & Sons inc.
- Hammer, M. (2001). *The Agenda: What Every Business Must do to Dominate the Decade*. New York: Crown Publishing Group.
- Hammer, M.; Champy, J. (2003). *Reengineering the Corporation: a Manifesto for Business Revolution*. New York: Harper Collins Publishers.
- Jorge, A.; Vasconcellos, E. S. (2008). *Strateginiai ėjimai* [Strategy Moves]. Vilnius: Eugrimas. (In Lithuanian)
- Kaplan, R. S.; Norton, D. P. (2004). *The Strategy – Focused Organization. How Balanced Scorecard Companies Thrive in the New Business Environment*. Boston, Massachusetts: Harvard Business School Press.
- Kaplan, R. S.; Norton, D. P. (2005). *Strategy Maps. Converting Intangible Assets into Tangible Outcomes*. Boston, Massachusetts: Harvard Business School Press.
- Kets de Vries, M. F. R. (2001). *The Leadership Mystique. A User's Manual for the Human Enterprise*. London: FT Press, Prentice Hall.
- Kotter, J.; Rathgeber, H. (2005). *Mūsų ledkalnis tirpsta. Pokyčiai ir sėkmė bet kokiomis sąlygomis* [Our Iceberg is Melting. Changing and Succeeding Under any Conditions]. Vilnius: Vaga. (In Lithuanian)
- Lawler III, E. E.; Ulrich, D.; Fitzenz, J.; Madden, V. J. C. (2004). *Human Resources Business Process Outsourcing. Transforming how HR Gets its Work done*. San Francisco: Jossey Bass A Wiley Imprint.
- Levicki, C. (2003). *The Interactive Strategy Workout*. New Jersey: Prentice Hall.
- O'Connor, J.; McDermott, I. (1997). *The Art of Systems Thinking. Essential Skills for Creativity and Problem Solving*. London: Harper Collins Publishers.
- Olve, N. G.; Roy, J.; Wetter, M. (2001). *Performance Drivers. A Practical Guide to Using the Balanced Scorecard*. New York: Wiley Publishing.
- Peters, T. J.; Waterman, R. H. (2004). *In Search of Excellence. Lessons from America's Best-run Companies*. New York: Harper Collins Publishers.
- Ruževičius, J. (2007). *Kokybės vadybos metodai ir modeliai* [Methods and Models of Quality Management]. Vilnius: Vilniaus universitetas. (In Lithuanian)

Ruževičius, J. (2008). Economic globalization challenges to quality of activities of Lithuanian organizations. In *International Business Development: Globalization, Opportunities, Challenges*. International Scientific Conference, 15-16 May 2008 (pp. 97-103). Vilnius: International Business School at Vilnius University.

Smith, R. (2007). *Business Process Management and the Balanced Scorecard. Using Processes as Strategic Drivers*. New York: John Wiley & Sons.

Stern, C. W.; Deimler, M. S. (2006). *The Boston Consulting Group on Strategy*. New York: John Wiley & Sons.

Vasiliauskas, A. (2002). *Strateginis valdymas* [Strategic Management]. Vilnius: Enciklopedija. (In Lithuanian)

Short biographical notes

Darius Klimas, Lector, PhD student at the Department of Management at Vilnius University. Research interests: formation of quality in business process management, process management, total quality management.

Juozas Ruževičius, Professor of the International Business School at Vilnius University. The author of over 300 scientific articles and 8 books in quality management. The member of the International Guild of Quality Professionals. The member of the Scientific and Academic Board of European Universities Network for Total Quality Management EUN.TQM (EFQM, Brussels). Research interests: total quality management, effectiveness of quality management systems, social responsibility, and sustainable development.