

Exploring BPM Adoption and Strategic Alignment of Processes at Raiffeisen Bank Kosovo

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Abstract.

a) **Situation faced:** Raiffeisen Bank Kosovo, as a subsidiary of Raiffeisen Bank International AG, provides a wide range of banking products and services to all categories of customers in the private individual and business segments. In the first six months of 2018, the profit of the Bank was €11 million, being the highest in the banking market. The on-line banking channels has increased significantly and today the customers chose to do more than 80% of transactions through E-Banking, mobile phone, or ATMs. Raiffeisen Bank has started to adopt BPM since 2006 as a systemic and structured approach to analyze, improve, control, and manage processes with the aim to improve the quality of products and services. But, how well is BPM adapted and implemented in the bank, and what is the impact of BPM to the strategic goals?

b) **Action taken:** This paper tackles the problem from two angles. First, a literature review is used to clarify the concept of BPM its scope. Second, semi-structured interviews were used to collect data from nine participants covering high positions in Raiffeisen Bank Kosovo. In addition, the research offered both an evaluation of the significant aspects of the implementation process, and examined the key factors effects on alignment of BPM with organization strategy.

c) **Results achieved:** This study unveils that BPM is well understood and is considered an important practice within the bank. Its implementation is familiar to the top management. Especially, process visualization is a considered a core element within BPM projects. Existing project can further benefit from BPM by applying process ownership and defining responsibilities within the end to end processes in every department were these processes are performed. Moreover, this study collects evidence that strategy objectives can be led by BPM.

d) **Lessons learned:** Experience has taught that there are many challenges when applying BPM initiatives. However, once these are applied, they help achieving strategic objectives. Two main challenges of implementing BPM were related to lack of proper IT support and budget needed to cover staff training. This paper recommends that BPM initiatives be strategy driven. It should be treated in a holistic way, including several methodologies like Six Sigma, Lean, and Agile. In this way, the Bank is lead towards thinking how its product or services are delivered to the customers.

Keywords: case study, strategic alignment, business process, governance

1 Introduction

Raiffeisen Bank Kosovo was inaugurated in 2003 as a subsidiary of Raiffeisen Bank International AG. Since then it has provided a wide range of banking products and services to all categories of customers in the private individual and business segments. These products and services are now available to our customers through an extensive branch network throughout the country as well as being accessible through leading edge electronic banking facilities such as cash machines, and telephone and internet banking. In the first six months of 2018, the profit of the Bank was € 11 million, being the highest in the banking market. Raiffeisen Bank excellent results and the commitment to improve further its customer service through both branch network and alternative channels has also been recognized by two international financial magazines, Euromoney and EMEA Finance, which awarded Raiffeisen as “Best Bank in Kosovo” in 2018.

Business process management (BPM) is well known and applied by Raiffeisen. The general structure of the organization is basically divided into CEO, IT & Operations, Retail Banking and Corporate Banking. The department of organization and process management (OPMD) falls under IT & Operation Division. OPMD is divided into three units: Process Management Unit (BPM, Lean and Agile methodology), Project Office Unit and Procedures & Organizations Unit. It is known from literature [4] that for successful BPM implementation, alignment of BPM-organizational strategy and for effective and efficient process the organizational structure is a crucial factor. However, it is not known to what extent this was the case for Raiffeisen Bank Kosovo (RBKO).

This paper sheds light into the case of BPM adoption within RBKO. Especially, it explores two important aspects: *i*) to what extent is BPM implemented and understood within the bank and *ii*) how is the BPM methodology linked to the strategic goals of the bank. The approach taken by this work is twofold. First, a literature review was conducted that helps to properly scope the area of BPM and create a thorough understanding of its key aspects. Second, semi-structured interviews were used as an investigation tool to collect evidence of the status quo of BPM within RBKO. Additionally, these interviews were analyzed to understand the relation of BPM to the strategic objectives of the bank.

The rest of the paper is organized as follows. Section 2 describes the situation faced in the bank at the moment this study started. Section 3 presents the approach used to explore the status quo of the bank. Section 4 shows the results of our interviews and explains the role of BPM within RBKO. Section 5 reflects on the lessons learned from this case study.

2 Situation faced

RBKO was aiming at improving further its efficiency and effectiveness by adopting several frameworks such as Six-Sigma, BPM, Lean and Agile. Especially, BPM was used with the aim of making the internal steps of their visible and manageable. However, BPM adoption appeared to still be behind its full potential. For instance, dedicated teams were not setup according to RBKO’s objectives, which could have been possible

if teams were more empowered. RBKO was aiming as well to achieve increase the satisfaction of their customers by reducing the number of unhappy customers. All these factors had potential for improvement.

Therefore, there was a need to have a direct connection between BPM and strategy objectives, since the BPM can be a framework that helps business to have continuous improvements. Hence, the aim of this research was to find out how BPM, as a methodology, was implemented in Raiffeisen Bank Kosovo, and the impact of BPM to the vision and strategy of business processes within the Bank.

3 Action taken

This study applies a two-fold approach to explore to what extent was BPM adopted RBKO and what was its role in the strategic alignment. First, a literature review is conducted, in order to properly define the BPM concept and understand its multiple facets. Second, interviews in the field were conducted in order to collect data from the real world and compare them to the concepts learned from literature. This paper uses a qualitative approach, which includes interpretation, discovery and explanation.

3.1 Literature review

Scoping the BPM methodology. The scope of the literature review was focused on BPM methodology, concept, governance and key elements in linking BPM with strategy of Organization. BPM is labeled amongst the most powerful concepts last years for managing business process, which contributes to process vision and strategy execution by continuously addressing process optimization.

In [2], it is explained that BPM is about managing the end-to-end business processes which involves the full cycle of plan (Identification, Discovery, Analysis & Improvement, Redesign, Implementation, Monitoring and Controlling). An essential component of control is to have the ability to measure correctly, he said that if it cannot measure something, it cannot control and manage. The processes have a lifecycle, and will need continuous improvement after the project's targeted improvement have been realized. With the help of the BPM lifecycle, one can understand that implementing a business process is an ongoing process due to the changes occurring within the business environment.

In addition to that, [3] elaborated that Cultural empowerment must be created to pull people to accept changes, the identification and publication of the process owners will also identify potentials that cares for the changes adaptation. The real commitment and coordination necessary to make BPM work begins with process ownership [9] Additionally, [5] consider process owners as one of the key pillars of process-based organizations.

Considering BPM as an organizational capability is not just as the execution of the tasks along a process lifecycle (identify, model, analyze, improve, implement, execute, monitor, and change). Hence, this standpoint requires an organization wide perspective and the identification of the core capability areas that are relevant for successful BPM,

base in the literature review on BPM maturity models that is subject to this research and based on this claim, the BPM framework leads the organization strategy to be involved in the plan of BPM. The work of [10] strongly stresses that BPM should be viewed as a whole, not just fulfilling the organization activities along process life cycle (design, configuration, execution, control and diagnosis).

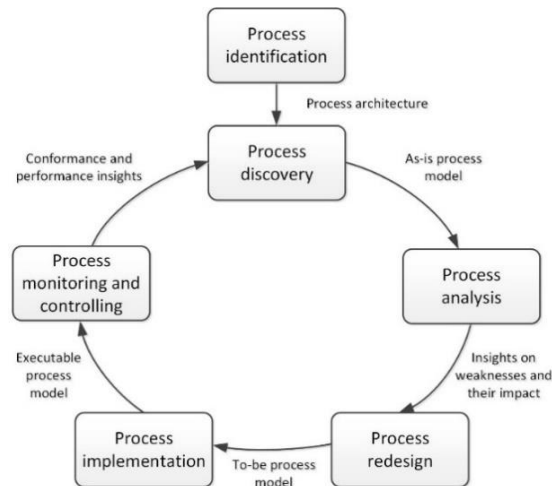


Fig. 1. The BPM lifecycle from [2]

In this study case, there is analyzed as well the perspective of six core elements identified by [10], since that those elements are very important to a strategy organization. Each of the six core elements represents a critical success factor for business process management, the elements are: strategic alignment, governance, methods, information technology, people, and culture.

Moreover, an alignment model has been developed which addresses the alignment on the basis of the strategy, process, organizational structure, management, information technology, performance measurement, people and organizational cultural. The proposed approach to elaborate all the factors and interrelationship between organizational strategy and BPM, If the organization's strategies are well-defined and aligned with the BPM, the organization can gain the advantages such as shorter time to market, lower cost advantages, and high quality product and improve customer satisfaction, it is confirmed that performance measurement is fundamental in the organization for continuing the quality improvement [6].

Research questions. Hence, based on the stated literature and the first author's experience, and the actual market position of RBKO, we formulated the following research questions:

RQ1: How does Raiffeisen Bank Kosovo adapt and implement BPM?

RQ2: Which is the impact of the BPM to the strategy and vision of organization, managing and decision making for business processes?

3.2 Case study

Case Study Selection Criteria. The researchers chose Raiffeisen Bank, because the bank has an experience in BPM methodology development. Since 2006 Bank started to use with six sigma methodology, after they continue also with BPM, Lean methodology, and lately they are using as well Agile methodology. To fulfill its purpose, the research adopted was exploratory so as to offer a better understanding of the activities selected to achieve the BPM, as a methodology of a management and decision making for business processes.

We consulted literature sources, which performed similar research on business process quality methods, and relied on case study analysis [14, 8]. Thereafter we have investigated [12] guidelines on selection of research strategy. According to [12], this choice depends on the following conditions: the type of research question, the control an investigator has over actual behavioral events and the focus on contemporary as opposed to historical phenomena, every research questions is chosen with “how, why”. Yin explains that if the research seeks to answer questions “how and why”, then it definitely should be performed as the case study research. The BPM experience of the first author had an effect on the choice. Significant data for the study was readily available to the researcher. Additionally, the first author was familiar with almost all the respondents thereby eliminating the need for formal introductions.

Participant Selection Criteria. Nine semi-structured interviews were conducted, with an average length of around 45 minutes. The interviewees were from key managerial roles in different departments, such as Chief Operations Officer (COO), Head of Finance, Head of Organizations and Process Management Department (OPMD), CEO of Leasing Raiffeisen, Head of Corporate Banking, Head of PI Segment, Head of Audit, Head of RISK Management Department and Head of Operation Department. The participants were selected by employing the purposeful sampling method, depending on their positions and decision-making ability within the organization. Vital data that was collected from the interviews revealed valuable information to help accomplish the targets and objectives of the study.

Considering the research purpose, as a purposive sampling technique was applied, non-probability sampling was used. Research participants had to meet the following qualification criteria:

- Should be top managers or middle managers (B = Management Board; B-1 = Head of Department; B-2 Managers) working for company Raiffeisen Bank Kosovo.
- Should have worked in vision of business processes for at least five years
- Should be familiar with the research themes, particularly knowledge on business processes within company

Data collection. There were nine semi-structured interviews conducted with the process owners and management representatives of the Bank. Interviewing is a kind of

data collection technique which helps to forward comments on the answers given by the respondent and seeks clarifications [7]. Another reason for us to choose interviewing as a method of data collection is that it gives more advantage to collect data from respondents regardless of their physical distance.

In addition to the semi-structured interviews, document analysis and observations will be used as a technique for collecting data. The qualitative data gathered through nine interviews will be fully transcribed and coded accordingly. The interview data will be analyzed and compared with the documents analysis and observation notes as well as with the business process reports data that will be the quantitative data (secondary data). After all interview was completed, the main findings were summarized, the interviews were transcribed and analyzed in detail using the qualitative data analysis methods. Moreover, the interview sessions and other secondary data helped in acquiring information that was credible and reliable from the sources. Additionally, several aspects have been released and proceeding only with content that is significant to the research objectives [1].

In the data collection, the researchers had to integrate real world events with the needs of this data collection plan [12]. Interviews are considered the most suitable approach for this research for gathering data, and as illustrated by [11].

4 Results achieved

This section outlines the results achieved with the taken approach. Findings are presented with respect to each key factor, taken into account.

4.1 Role of BPM in the organization.

Documentation is an important part of day to day business and BPM helps and supports the organization for proper documentation and keeps it up to date. Therefore, Raiffeisen bank always documents and visualizes their core business processes. Moreover, the COO Division is mainly responsible for BPM and process quality control. Moreover, strategic performance measurement and analysis is important part of the business process management. In addition to the BPM Methodology, RBKO also uses Six Sigma, Lean and Agile due to optimizations, visualization and managing business process continuously. Furthermore, COO mentioned that BPM gives them a clear view of process performance, people, governance and IT issue per business processes.

Adoption of BPM in RBKO. From interview data, it is identified that process of implementation of BPM for almost every participant within interviews is clear process; they confirmed that visualizations of processes, development of system, responsibilities with process ownership and set up of governance will allow the organizations to continue with process improvement and process management.

“Firstly we have request for implementations of any BPM, sometime the request is from Local sometime from Head Office RBI, after identifications of all stamps, systems, FTE involved into particular process, identification of Process Owners and responsibilities, build the automatic

process / timestamps, setup the governance and continue with continues improvement” (Participant 1)

“BPM is implemented in order to get measurements, step by step, visualization of activities, stamps, stakeholders end to end. BPM is implemented in two contexts: technical and concept of BPM: 1. From Technical part end2end processes into system / tools within core system automatic process / timestamps 2. In term of Concept there is a framework with responsibilities and process owners, governance, in order to come to decision for any optimizations with in processes.” (Participant 3)

Role of Executives and Senior Managers in Supporting the BPM. There is a strong weight that was expressed from interviewees and approved the fact that input from the executives and senior management is necessary for a successful BPM implementation. They feel that inspiration and motivation can be drawn from top management to other levels. Furthermore, the participants agreed that there is need for proper and supportive leadership, dedication and involvement by senior managers to successfully complete the implementation and maintain the process.

“The role of top management, insure recourse and help implementations, to pull forward the successful Implementation, they are sponsorship and ownership” (Participant 6)

“Support is too high, we have regular meetings, and we are interesting in BPM methodology, the role is main support, sponsorship and ownership” (Participant 4)

Business Processes Customer focus within Bank. From the interview data it is clear that customer satisfaction is very important, moreover, its confirmed that some internal procedures that has to be into considerations even the customer has another focus, However, it is dependent on customer satisfaction and on how customers experience the products and services of the company. Since the BPM in the methodology has also the Critical to Quality (CTQ) measurements tool the adaptation tool from six sigma methodology, which is voice of customer, and as one of the referred point for continues improvement, the participants are asked, if they have customer focus within the bank.

“In our Bank we consider customer focus approach as a key to business success. This means that also BPM is design in such way that customer satisfaction is backbone of all current and new processes” (Participant 7)

“We have regulative processes (risk process and internal procedures) that cannot let us definitive just client focused, but in principal we take into consideration VOC (voice of customer) for improvements and to see what are their requests” (Participant 7)

“Yes, we have absolutely focus on customer, due to continues improvement” (Participant 1)

4.2 Alignment between BPM and Organization Strategy

The participants believe in the alignment between some business processes and strategy objectives; they believe that to have better profits they should care about linkage between processes and strategy. Besides, they think aligning business processes with strategy improves customer satisfaction, higher product quality with a better response time and delivery time. It also increases profits in overall. However, alignment benefits are not always the same for each participant; they think that BPM cannot link in all strategy objectives, unless those measures are mostly on financial perspectives.

"yes, I have already thought about linking BPM with bank objectives strategy" (Participant 1)

"when we do strategy we have some factors that we decide a strategy, normal we have to find how to get there" (Participant 5)

Furthermore, it was identified from interviews that the effect of alignment of business strategy and business process management is significant which mainly help them to improved customer satisfaction reduce operational cost and improved employee like important parts of the organization. Moreover, most of the participants said that bank do not consider it difficult to find a proper fit between the business processes and business strategy, when proper documentation and key indicators are available, but there are few of them that are a bit skeptic in realizing all objectives of strategy through BPM.

Key factors that build up alignment between Bank Strategy and BPM. This section is divided in two questions, the first question is the importance of those key within Raiffeisen bank in context of organization and the second question asked is in context of BPM how successful do they see those key factors. The key factors are adapted from important concepts that emerged during the interviews. Most of them are correspond to factors identified by works in literature [10, 3]. Each element proposed have the sub-elements, and in this case study are adopted factors, base of which the data interview is taken due to respond to the research question. Interviews highlighted *People* and *Leadership and management* as crucial factors that build up alignment.

In the context of BPM, how successful is the Bank in addressing the key factors. Below are the analyses from interview data that show how successfully the bank addresses the key factors through BPM.

People. According to the interview data, for organizations people are very important because they help to make the processes work, this factor has different types of assets including skills, knowledge, and behavior and the culture that are important for a successful organizational strategy.

“The Bank is aware that people are key for a success of the company and they are the most valuable asset of the bank in case of BPM, usually, staff that has level of expertise and skills are assigned to set new business process. In this way are empowering the staffs that have expertise and proper skills as they are key for overall success of the Bank” (Participant 7)

“In RBKO we have invested in staff, specified in BPM training” (Participant 1)

Governance. The BPM governance aspects identified were BPM integration in organizational management, performance assessment, assigning process-based responsibilities and disseminating the process management culture. Moreover, the governance according to interviews is related to the decision making which explores the expectations, giving the powers to the employees and to authenticate the execution, moreover governance is the factor, which ensures organization’s responsibility and decisions harmony with BPM.

“We have defined and structured way in the bank how to initiate a process change, optimizations and reengineering. We have set up the Process Committee that addresses the governance and decision making process related to BPM” (Participant 6).

“The Model that is created in RBKO is so successful, the decision is taking through governance” (Participant 2).

Information Technology. The participant confirmed that biggest challenge of implementing BPM they have with IT issue, in order to have the effort from IT in most of the time it was too much time for realizing the BPM system the time stamps reports, they affirmed that there were several technology platforms being used, the collection and reporting of accurate data have been difficult.

“We are working in a dynamic environment require to align the IT with business strategies, organizations need to provide the strong IT support, supporting the process activities and model designing, at the moment we can say that we have a gap in IT due to turnover It Staff” (Participant 3)

“Usually all BPM’s require IT involvement but the main issue are IT resources” (Participant 5)

Performance measurement. The performance measurement can be applied at different levels of the organizations, interview data confirmed that measurement of performance is the fundamental in the organization for continuing the quality improvement. They affirmed that where the KPI are implemented they are very successful, but there is a need for more measurements within organization.

“The measurements are important, due to have an assessment of where are the staff performance and process performance, in order for continue improvement” (Participant 7)

“Where we have KPI we are successful, but we need more measurements due to have a control of processes, products and people” (Participant 9)

Management and Leadership. The support for a successful BPM should come from top management, almost all participant stands that the project team can create the best processes and BPM systems, but if people refuse to use them, or use them poorly, then the project will not be successful, so the support and mindset for a successful BPM should come from top management.

“Yes, we have a good support, without their support we cannot implement BPM Methodology. For completing a process, managers are concerned in defining and achieving the objectives and goals. In addition, we have to decide the steps to achieve these goals while allocating and identifying the resources, which are compulsory for their achievement” (Participant 8)

“In our Bank we have very good structured the committee, where the support and decision for changes and implementation of BPM is taken” (Participant 1)

Culture. Culture is considered as a soft skill and hard to change for the people. According to the data interviews the culture is described as a soft factor but the data shows that it has a strong impact in the success of the BPM.

“The culture has vital role and it crucial towards a successful BPM.” (Participant 1)

“BPM culture embraces various values and beliefs, which can help the organizations to become more process oriented” (Participant 2)

Communication. Communication can include the evaluation patterns between process stakeholders and the way in which the related knowledge is discovered and explored. Moreover, interviewees advocated the need of strong communication across different departments; they affirmed that it is requirement for best interest of running successful BPM.

“For achieving the desired process results the individuals and groups should work together known as process collaboration and communication between them plays a vital role” (Participant 4)

“The Communications is key for success of every business process. In case of BPM, the bank is ensuring to have transparent result for all business processes and foster communication between all stakeholders in all hierarchy level to make sure that everybody is informed about the results/data. Sharing the data means fostering the cross communication between all business lines and between all layers of same business lines as well” (Participant 1)

4.3 Answers to the research questions

Implementation of BPM in Raiffeisen Bank Kosovo (RQ1). The first objective of this study was to find out how RBKO implements and adapts BPM within the bank. From interviews, the feedback and opinions of the participants, it's evident that there is an awareness on BPM within departments where Raiffeisen Bank has implemented this methodology. Furthermore, they know that BPM is a methodology for the effective use of people; processes, assets, and technology to achieve business measurements and goals. Again, it enables resulting in real-time access to data and continuous process and data flow, for proactive business management. Moreover, process visualization is a core element within BPM projects, and this is often achieved with a series of as-is and to-be process modeling tasks.

Additionally, the outcomes from the research reveal that bank has an effective process for the BPM implementation process, with sufficient investments in the people involved in implementation and identification of responsibilities. However, further awareness is needed, particularly in departments and units where BPM is not implemented as well as in lower level of management. Moreover, there is a need for process ownership definition and responsibilities within end to end processes, in all departments where involved in the process.

From the results of the research, it can be further revealed that the accomplishments of the BPM implementation process can be challenging task. For some activities, the major problem that affected BPM implementation was IT issues, lack of IT resources commitment for further BPM development, which have had a significant effect on implementation of BPM. Another challenge identified is related to BPM training and lack of budget to support further the staff involved in BPM. Based on feedback there is a need to provide specific training tailored for BPM needs in order to understand the methodology, the perspective of BPM in aspect of identification of process modeling as a decision making tool as it is described in the literature review chapter.

Impact of BPM on Strategy (RQ2). According to the research there is a remarkable impact if we link BPM and Bank strategy objectives. as the bank is a service and process orientated organization. It is very important that processes are continuously improved as per market requirements.

Systematic process monitoring - as included in BPM - allowed us to meet the major objectives of bank strategy. First, it helped characterizing the use of BPM in organizations by quantifying the absolute frequency of the core elements (strategic alignment, governance, methods, information technology, people and culture) proposed by [10]. Second, it helped identifying many dimensions related to organizational performance, as well as the main measures, variables and indicators that correlate BPM and bank performance. Third, it allowed us to propose a model linking of the BPM key elements and organizational objectives.

5 Lessons learned

This case study is a first step towards thinking that bank strategy objectives can be linked with BPM elements, the recommendation from this research is that Business process management can be strategy driven. Moreover, this process will lead the Bank to think at the stage about the internal and external processes. Therefore, the bank always thinks how the product and / or services are delivered to the customers. In this way, our proposed approach will help the organizations to create direct alignment between BPM and strategy. In this alignment, different factors are involved like people, management, leadership, governance, culture, information technology, performance measurement and communication, which create a linkage between organizational strategy and BPM. BPM can encompass other methodologies such as Lean, Agile, Six Sigma which can in turn help improvement in innovative ways.

The researchers recommend a further study to combine effects of these alignment factors on the overall alignment process. Additionally, it would be interesting to investigate what are the differences between the factors presented, within the different banks.

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