

## THE COMPARATIVE ANALYSIS OF TWO MODERN APPROACHES OF THE MANAGEMENT OF ENTERPRISES

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*Process and project approaches are the most popular and common methods of strategic management of modern enterprises. The article describes and analyzes each of these methods and shows how the joint use of both approaches leads to a competitive advantage of the enterprise.*

**Key words:** project approach, project, process approach, process, key indicators of efficiency.

### **Introduction**

The end of the XX and the beginning of the XXI centuries were marked by the active development of the process and project approaches of the strategic management of enterprises.

For a long time the main instruments of the strategic management of enterprises were considered mainly to be the process tools.

Enterprises began to introduce project approach as an alternative tool for strategic management in the transition to an innovative economy: in creating various new products and services, in the structuring of the enterprise and in various corporate changes etc.

### **Conflict settings**

Let us consider what is their difference and coincidence and which of these methods is preferable to be used?

We can say that if the project approach answers the question “What to do?”, then the process approach answers the question “How to do”?

Very often both of these approaches are mistakenly considered as contradictory. Modern companies use the process and project approaches as strategic management tools within the same organizational system, but most often separately from each other. Let us consider each of the methods separately.

### **Research results**

The basis of many well-known and fairly effective concepts of improving the work of organizations is the process approach.

As the concept of management, this approach was finally formed at the end of the 19th century.

The process approach is an approach of organizing and analyzing the activities of the company based on identifying and considering its business processes each of which takes place in conjunction with other company business processes or the outer environment.

In accordance with this concept we can say that all the activities of an organization are the set of processes. The process is one of the key elements of the improvement of the quality.

Therefore, in order to manage an enterprise, it is necessary to manage the processes and manage them as a whole. But what is the process?

“Process (**process** lat. processus — “current”, “flow”, “movement”)– is the stable and purposed set of interconnected actions which due to certain technology form the incomes and outcomes for obtaining the products , results or services which are already determined and are valuable for consumers ” [1].

Based on this definition of business process, we can name its main characteristics as following:

- Predetermined result;
- Strategically important result for the company;
- Regularity of the operations;
- Predetermined roles and responsibilities of the employees involved into the business process.

The process approach is focused not on the organizational structure of the enterprise and not on the functions of the divisions but on business processes and its main difference from other approaches such as functional, organizational, etc. is not only the orientation to result optimization but also the achievement of this result.

In the process approach all actions are performed until the result is achieved, and the content and technology do not change as a rule. Since the process involves periodicity and regularity of the achievement of the result, the possibility of any changes is minimal [10].

Part of the operating activity is considered as a single object which allows you to organize the management of this object, i.e. to initially design, plan, regulate this object, determine the indicators of process performance and efficiency (KPI<sup>1</sup>) and to evaluate, control and optimize this part of operating activities during operation.

At the same time, the management system of the company is focused both on managing each business process individually and on all business processes of the enterprise as a whole.

Consequently, by managing all business processes the enterprise manages the activities of the whole organization as a system of business processes.

The main advantages of the process approach are [9]

- Optimization of the systems of management of the enterprise which elastically reacts to the changes of outer environment,
- Coordination of all divisions influencing on the process,
- Undisturbed management of aimed improvement of processes and reduction of temporary and material costs,
- Orientation to the results of the process,
- Increase of the transparency and efficiency of the work and predictability of the results of the organization,
- Identification of extra, outdated and unclaimed processes,
- Processing of the systems of indicators and criteria of evaluating the efficiency of process management,
- Optimization of document circulation and creation of single information system of the company,
- Creation of general and standard language of description of the operation of company which is available and understandable for all employees evolved into the process.

Like other modern management approach, the process approach has not only advantages but also shortcomings among which are: [9]

- Complication of qualitative standardization, regulation and documenting of each process which needs additional time and resources,
- Complication and lack of experience of applying system approach in organizing and implementing the process approach in the enterprise,
- Complication of the development of qualitative system of indicators for evaluating the efficiency of functioning business process of KPI based on the strategy held by the company,
- Complication of creating really working mechanisms of managing the processes which support the situations where all the processes are managed and must be managed by the operators of these processes,
- Necessity in organizing additional teaching and preparing the employees of the company for transmitting new skills and knowledge etc.

Nevertheless, despite the fact that the process approach has a sufficient number of shortcomings, it is necessary to note that enterprises in which the process approach is implemented are more efficient, due to the fact that: firstly, the strategic plans and goals of the enterprise are fully realized since they are linked to the current activities of the company through business processes; secondly, an effective system of motivation is developed and implemented based on the consideration of a specific result and the achievement of indicator of KPI [14].

Based on the above mentioned, we can conclude that the process approach will be in demand for a very long time as one of the methods of organizing the efficient operation of the company since business process management as an approach of managing a company improves the efficiency of the company by improving both the individual process and the system of processes on the whole.

Let us consider the following approach to the management of an enterprise.

Let us define the notion of a project. What is it? [13]

A project is a unique process consisting of a set of simultaneous, interrelated and controlled activities/events with dates of start and end and is undertaken to achieve the goal of meeting specific requirements including time, cost and resource restrictions thus creating a unique outcome (PMBOK – Project Management of Body Knowledge)<sup>1</sup>.

Project management includes defining its goals, forming the structure, planning and organizing the work and coordinating the actions of the doers.

Although it is generally accepted that the project approach is mainly used in project-oriented companies, for example, research and development, consulting, construction, etc. but this approach can be applied to any company during creating innovative projects.

The basis for the creation and implementation of the project-oriented structure of the enterprise is not the concept of functions or processes, but the concept of the project, that is, the creation of a new, usually single, non-recurring product, for example, the construction of an object, the development of a new product, the creation and introduction of a new technology etc.

The activity of any project-oriented enterprise is considered as a set of executed projects, each of which has a fixed start and end, its own labor, financial, industrial (etc.) resources that are managed by the project manager. After the project is completed, the project structure fails and its components including employees move to a new project or leave the job (if they work by contract) [11].

Currently there are several basic types of project management implementation and depending on them the following organizational forms of project management are distinguished: linear-functional, matrix, project structure and also mixed structures that combine all these types [13].

Let us consider these organizational forms of project management.

Linear-functional structure is a set of linear-functional units each of which performs characteristic functions for the certain unit. The project is implemented by creating a project team consisting of various partners from different functional structures involved in it [13].

In contrast to the linear-functional structure the matrix structure is more focused on the implementation of projects. This structure is based on a combination of the traditional vertical hierarchy of leadership – subordination relations and on horizontal hierarchy of coordination of project operations.

In this case project management and coordination of operations is carried out by the project manager who controls the full cycle of work related to the development, production and promotion of products to the market [13].

The personnel of the project may be evolved to the project partially or completely and has dual subordination: functional and projective which in its turn is the main shortcoming of the structure.

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<sup>1</sup>**Project management of body knowledge** (PMBOK) represents itself the sum of professional skills and knowledge of managing the projects. PMI uses this document as a basic guiding material for its programs on professional development. It is American national standard.

Matrix project is divided into three types: weak, balanced and strong. The main difference of these types is the level of authority and responsibility of the project manager, the degree of personnel integration etc.

This type of organizational form of project management is used with a high degree of uncertainty of the project implementation conditions and also with complex, large-scale and long-term projects. This type of organization structure is characterized by the full involvement of the personnel dealing with the implementation of the project.

The requirements for the project manager become stricter. The need to organize more flexible and coordinated project management occurs and the threat of duplication of the main functions of enterprise management as well [13].

Let us formulate the main advantages of project approach [3]:

- Increase the management flexibility. While implementing the project it becomes necessary to develop, adapt and implement various strategies and ways of implementing the project which allow to successfully complete the project. The same strategies and methods can be applied many times which increases the flexibility of enterprise management.
- Comparing with the hierarchy structures the number of managing personnel reduces and simultaneously certain preconditions are created for developing the project group.
- Arising the feeling of satisfaction of the clients due to the increase of efficiency of the current services.
- Rising the labor quality.
- Increase of competitive privileges and consequently rising the reputation of the company.
- Increase of the opportunities of the risk assessment.
- Implementing the strategy, achieving the desired goals in stated deadlines and within budget limits.

And the main privilege of the project management is that all participants get the benefit from the project.

Consequently, in addition to the privileges, the project approach has shortcomings as well. They are as follows of the project-oriented structure of managing the enterprises:

- High requirements for the qualifications, personal and practical qualities of the project manager,
- Joint application of the same resources of different projects that leads to not only additional conflicts and temporary patches but also hardens the interaction of numerous projects in the company.
- The necessity of organizing additional teaching of the employees the skills of project management.

Nevertheless, despite the above mentioned disadvantages, the advantages of the project approach outweigh them in enterprise management.

The transition to project management can last for years since project management is a completely different culture of work, different psychology and a completely different approach to enterprise management.

Summarizing the above mentioned from the point of view of efficiency of applying project and process approaches, we can note the following differences and certain similarities of these two processes.

Let us consider the differences first.

Project approach [6]	Process approach [3]
Basis - unique activity. More applicable to innovative events, as well as to those events that have significant key differences from other events.	Basis - multiplicity and periodicity of the processes More applicable to the analyses of operative activity of the company.

It has specific time duration and cost. When the result is achieved, the project ends.	The duration and cost of not every business process is estimated, but the totality of similar ones which form a single group of business processes. When the result is achieved, the process does not end, but accepts new goals and the cycle begins again.
For estimating the project the integral indicators are used.	Impossible join of single complex key indicator of efficiency, many indicators have qualitative character
<u>The applicable instruments:</u> <ul style="list-style-type: none"> <li>- The hierarchy structure of the work (WBS),</li> <li>- The chart of Gantt (GANTT chart),</li> <li>- Network diagram (NDD)</li> </ul>	<u>The applicable instruments:</u> <ul style="list-style-type: none"> <li>- Organizational schemes, operated by various methodology in various notations (DFD (Data Flow Diagrams) – these diagrams of data flow are compatible with data glossaries and specifications of processes, SADT)</li> </ul>

In addition to the differences these approaches also have many similarities.

There are also some elements of the process approach within the project approach. For example, the project implementation process and decomposition of the main task into phases in order to simplify tracking the time and cost for each phase which is a specific set of processes.

In addition, both the project and process approach have common goals. The main goal is to improve the activities of organization by moving them from the real condition to the desired state.

If in business process management it is achieved by improving individual business processes and all operational activities, in project activities it is possible by implementing the project as a unique set of actions carried out to solve an organizational task.

### **Conclusion**

So, which approach of management is more effective — project or process?

As practice shows, for many fields of activity these approaches are used together in a single integrated system.

The choice of process or project approaches in strategic management is based on the decision whether to develop using the available internal resources or to develop at the expense of external sources. A similar approach was used by many theorists of the 20th century such as J. Holland, T. Kuran and J. Marsh. In the early 90s of the 20th century, J. Marsh suggested the organizations looking for a balance between the strategy of search and the strategy of use. [4]

If a company chooses the strategy of use, it optimizes the business processes of the company, introduces various production management systems (for example, Lean production – saving production) and quality management systems (total quality management, 6 Sigma).

If the company has chosen the search strategy, then for the implementation of the strategy the company must begin to implement projects.

Therefore, we can conclude that currently project and process approaches as tools of strategic management are no longer opposed to each other.

In an innovative economy, the process approach is more effective in operational management, while the project approach is effective as a tool for implementing strategy and strategic changes in an organization. At the same time, in order to effectively implement the strategy, it is necessary to use both the process approach (the use of technology and balanced indicators etc.) and the project approach as a tool for implementing changes and innovations.

The conclusion is that to manage a strategy, companies should use both approaches but in different areas of management. Preciseness in the implementation of the necessary processes, efficiency in decision-making and the manageability of the company should ensure cooperation between the methods of project and process management.

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### **ՁԵՆՆԱՐԿՈՒԹՅՈՒՆՆԵՐԻ ԿԱՌԱՎԱՐՄԱՆ ԵՐԿՈՒ ԺԱՄԱՆԱԿԱԿԻՑ ՍՈՏԵՑՈՒՄՆԵՐԻ ՀԱՄԵՍԱՏԱԿԱՆ ՎԵՐԼՈՒԾՈՒԹՅՈՒՆ**

**Մ.Գ. Ղահրամանյան**

*Ուելրասիա՝ միջազգային համալսարան*

Ժամանակակից կազմակերպությունների ռազմավարական կառավարման ամենա պահանջված եւ տարածված գործիքներն են համարվում նախագծային եւ գործընթացային կառավարման մեթոդները: Հնդվածում նկարագրվում եւ վերլուծվում է յուրազանջուր մեթոդը եւ ներկայացվում է ինչպես է այդ երկու մոտեցումների համատեղ կիրառումը բերում կազմակերպության մրցակցային առավելությանը:

**Բանալի բառեր.** նախագիծ, նախագծային մոտեցում, գործընթացային մոտեցում, գործընթացներ, արդյունավետության հիմնական ցուցանիշները:

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### **СРАВНИТЕЛЬНЫЙ АНАЛИЗ ДВУХ СОВРЕМЕННЫХ ПОДХОДОВ К УПРАВЛЕНИЮ ПРЕДПРИЯТИЯМИ**

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Процессный и проектный подходы являются наиболее востребованными и распространенными методиками стратегического управления современными предприятиями.

В статье описывается и анализируется каждый из этих методов и показывается как совместное применение обоих подходов приводит к конкурентному преимуществу предприятия.

**Ключевые слова:** проект, проектный подход, процессы, процессный подход, ключевые показатели эффективности.

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