Business Processes Content of Trade Organizations and Peculiarities of their Management in Market Environment

Vitaly Ivanovich Teplov1*, Elizaveta Evgenievna Tarasova2, Marianna Vladimirovna Alyabieva3, Elena Viktorovna Isaenko4, Lyudmila Petrovna Pidoimo5

1Belgorod University of Cooperation, Economics and Law, 116A Sadovaya Street, 308023 Belgorod, Russian Federation, 2Belgorod University of Cooperation, Economics and Law, 116A Sadovaya Street, 308023 Belgorod, Russian Federation, 3Belgorod University of Cooperation, Economics and Law, 116A Sadovaya Street, 308023 Belgorod, Russian Federation, 4Belgorod University of Cooperation, Economics and Law, 116A Sadovaya Street, 308023 Belgorod, Russian Federation, 5Voronezh State University, University Square 1, 394006 Voronezh, Russian Federation. *Email: pror-nr-pr@bukep.ru

ABSTRACT

The article scrutinizes the peculiarities of the process approach to trade organizations management and provides the authors’ definition of business processes. The article singles out several common essential points, which characterize business processes in trade organizations, substantiates the interconnection between main and auxiliary processes. The article substantiates that in trade organizations there can be singled out four types of the main business processes of the first level “Purchase of goods,” “Goods stock regulation,” “Wholesale goods supply” and “Retail goods sales.” The first level business processes of trade organizations were decomposed into smaller business processes; business processes classification was added with the following classification features: By the received effect, by the targeting, by the continuity of execution depending on the level of detailing. The article singles out the second level business processes and examines the directions for the improvement of the main business processes management in trade. It is substantiated that the most important marketing directions of trade organizations’ business processes improvement should include: Direct improvement of the first level business processes; development of the set of tools of business processes management in trade; and development of the technique of business processes fecundity assessment. According to the authors business processes management in trade organizations should be executed at three levels of management: Upper, middle and lower. A conceptual scheme of organization’s business processes management has been worked out, which includes feedback information from the executor of the business process to the leader (business process indicators) and from the head to the business process owner (managerial accounting on business process).

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JEL Classifications: M1, O24

1. INTRODUCTION

Among the main approaches to the management of different organizations, including trading, in modern conditions of the development of the economy there are systemic, functional, marketing, process, synergetic and other. In the present conditions of the changing market environment, the process approach is becoming ever more important when the activity of the organization is split into the multitude of business processes, which should be managed. Thus, the said approach in trade organizations, including consumer cooperation organizations, is in our opinion one of the most acceptable and it maximally provides for the solution of the organization’s goals.

The question of the process approach introduction to the management in organizations, engaged in different types of economic activities, is given much attention in the literature on the economy. Thus, the peculiarities of the process approach to management are examined in the papers by Zelentsov (2007), Melnikov (2007), Harrington (2007). Different approaches to business processes classification are reflected in the papers by Sheer (1999), Kovalev and Kovalev (2009), Alyabieva and
Dorenskaya (2011). The peculiarities of business processes reengineering execution were studied by Blinov et al. (2010), Oikhman and Popov (1997), Teplov (2012) and other. The peculiarities of business processes introduction in Russian companies, including trading, were examined in the papers by Tarasova and Tkachenko (2010), Baikov et al. (2006), Lipuntsov (2003), Teplov (2014). Marketing aspects of business processes were studied by Rozdolskaya and Ledovskaya (2015).

The goal of the present study is to single out the business processes in trade and develop the directions of business processes management improvement in trade organizations in the market environment.

2. METHODOLOGY

The methodological basis of the study is scientific works of the leading domestic and foreign scientists in the sphere of the economy and trade management, provisions of the economic theory, theory of management and marketing. We used general scientific methods of dialectics, analysis and synthesis, induction and deduction, abstraction, analogy, etc. as the ways of study.

To substantiate the indications of trade organization business processes classification we applied the systemic approach. The said approach was also used to formulate our own definition of business processes in trade organizations and for the singling out of business processes management levels in trade organizations.

Graphical approach was applied to build the conceptual scheme of business processes management in trade organizations.

The study was based on the analysis of the activity of trade organizations and it took into account the peculiarities of their operation in Russia in the rapidly changing market environment.

When doing the decomposition of the first level business processes of trade organizations into the second level business processes we used the methodical technique of analysis, i.e., the way to comprehend things and phenomena, based on the decomposition of the whole into its components and study of them in their interconnection, and interdependence.

When substantiating the main directions of business processes management “Goods purchase,” “Stocks regulation,” “Wholesale goods supply,” “Retail goods sales” in trade organizations we used the conceptual approach, which is a fundamental idea or a system of views on different phenomena and processes.

3. RESULTS

3.1. Identification of the Essential Characteristics of Trade Organizations Business Processes and the Levels of their Management

Within a process approach to management each structural unit of a trade organization ensures the execution of concrete business processes, in which it participates. Duties, sphere of responsibility, criteria of successful activity for each structural unit are formulated and have sense only in the context of a concrete business process. Horizontal ties between structural units within such approach are much stronger, than those with functional approach. Vertical ties between structural units and in the line “boss - subordinate” are somewhat weaker. An employee is responsible not only for his/her functions but also for those business processes, in which he/she participates. The functions and the result of the activity of the parallel structural units, which participate in the same business processes together with him/her are important for them. There emerges mutual responsibility for the result of the business process among all its participants.

There are many definitions of the “business processes” category. For example, “business process are several connected actions or procedures, which in their totality realize the concrete goal of the current activity in the frameworks of the organizational structure (definition of PricewaterhouseCoopers).

Karminsky and Nesterov (2007) equate business process with an operation and understand under it “a chain of successive actions (operations), which are successfully executed by different specialists in different divisions of the company; they begin from a consumer who needs something from a supplier and/or producer and end with the same consumer after the order is completed.”

Oikhman and Popov (1997) consider that business process is “a multitude of internal steps (types) of activity, which begin from one or more inputs and end with the creation of a product necessary for a client. The purpose of each business process is to offer a client a product or service, i.e., goods, satisfying him/her by price, durability, service and quality. The term client should be understood in a broad sense. It can be just a client or a different process, taking place in the external surrounding of the company, e.g., in partners and subcontractors.”

Examination of the existing in the scientific literature definitions of business process makes it possible to single out the most common (Tarasova and Tkachenko, 2010; Alyabieva and Dorenskaya, 2011) characteristics – usefulness, value for a consumer. According to the said peculiar feature the execution of a business process is directed at satisfying the demands of internal and external clients (consumers). The given provision reflects one of the peculiarities of the process approach – client orientation. In our opinion, realization of the client oriented approach in the business process management corresponds to the objectives of improving organizations’ competitiveness through the fullest satisfaction of clients’ demands.

Proceeding from the existing definitions we have singled out several common essential points, which characterize business processes in trade organizations in the market environment:

- Business process – chain of successive actions (operations), directed at reaching the set goals;
- Business process functions on the basis of regulating documents, resources are necessary for its execution;
- Business process is initiated by a client or other business process;
• Business process in contrast with the process is directed at the creation of a product or a service, which are valuable for end-user;
• Business process ends with the result meaningful for a client or other business process.

The singling out of the above mentioned characteristics made it possible for us to provide our own definition of trade organizations’ business process as a “certain sequence of actions, directed at the reaching of the definite goal in the frameworks of the general mission of a trade organization – sales of goods, based on definite resources, organized in the corresponding order, ending with meaningful result for a client, other business process or an organization and capable of changing in dependence on the market competition.”

The principal characteristics of business process as the main element of the process system of organization management is the presence of the owner, manager and executors of the business process. The given peculiarity makes it possible to single out the stages of business processes management (Figure 1).

Under the owner of the business process we understand the corresponding officer or a collective management organ, which have at their disposal the resources, necessary for the execution of the process and which bear the responsibility for the result of the given process.

The business process owner from the professional point of view is the boss of the given business process manager. The owner sets the goals of the business process, coordinates them with organization’s goals and controls the achievement of the set goals. The business process owner corresponds to the upper level of management.

The business process manager is a person whose responsibility is the management and continuous improvement of the given business process. In relation to business process the manager executes such functions of management as prognosis and planning, organization, coordination, governance and control.

The business process executors correspond to the lower level of business processes management. Executors’ activity on the execution of the business process should be coordinated with the organization’s goal.

3.2. Definition of Business Processes Types of Trade Organizations

In trade organizations one should distinguish main and auxiliary processes and the process of management, which closely interact between each other.

In our opinion one should distinguish different business processes depending on the type of trade organization.

The main business processes in trade organizations, which have to be managed, include the processes, which add value of goods for a buyer (client).

Different authors refer to the main business processes in wholesale trade marketing and market study; purchases; storage and stocks management; pricing; goods sales and work with buyers; budgeting; aftersales activity; provision of services; logistics; etc. (Kovalev and Kovalev, 2005; Repin, 2007). In retail trade, researchers single out the same business processes, but with their realization due to the specificity of retail trade a certain focus should be made on individual and mass demands of buyers – natural persons, their money incomes, tastes and preferences (Tarasova and Tkachenko, 2010). Besides this, in retail trade it is possible to additionally single out the business process of preparing goods for sales, creation of favorable conditions for goods sales and merchandizing.

In our opinion in trade organizations the following types of the main business processes can be singled out: “Goods purchase,” “Stocks regulation,” “Wholesale goods supply,” “Retail goods sale.”

In the frameworks of the business process “Goods purchase” the organization carries out the activities on the execution of the whole chain of operations of purchasing activity. The given business process is aimed at the execution of goods purchases taking into account consumer preferences, execution of contract obligations with suppliers, regulation and optimization of stocks and improvement of the efficiency of money use to cover the costs on goods purchases.

The aim of the business process “Stocks regulation” is in providing trade organizations with goods, which are in demand among the
target groups of consumers. As an input of the said process they use the resources in the form of goods, material and technological capacities, retail trade organization’s transport; while the output of the given process is the goods ready for sales.

The business process “Wholesale goods supply” of trade organizations presupposes the distribution of goods according to the orders of retail trade companies in compliance with their further sales.

The execution of the business process “Retail goods sales” is connected with the sales to the end-users, which is the final stage of goods promotion from the sphere of production. The given business process is aimed at satisfying the public demand.

Correctly organized business processes of trade organizations provide for the satisfaction of consumers’ demands, growth of retail sales and profit.

Auxiliary processes do not directly add value and by their nature they are costly, but provide result for the main business process or organization. As such processes in trade organization whether they are wholesale or retail ones one could refer to personnel training, service maintenance of equipment, communications assurance, financial and accounting assurance of the activity, security measures and other processes. Each trade organization depending on the scale of its activity has the right to independently decide which processes are reasonable to be singled out.

Different researchers have various approaches to the types of business processes in organizations. For example, Jacobson et al. divides processes into external and internal. In his opinion in modern companies “the client oriented process is expressed in terms reflecting the needs of the individual but not a mass client. Focus on the processes producing value (goods) to clients but not to any other parts of the business makes it possible to do the best, what the company has to do in the very end. With the acceptance of this type of attention focus, one can see that a considerable part of the activity done within the frameworks of the old company is not connected with the creation of consumer value and solves some internal problems of the company” (Jacobson et al., 1995).

In our opinion, external processes are, in fact, the main ones for the trade organization and internal processes are auxiliary ones.

It is possible to single out the main business processes through the analysis of the organization’s goods (goods and services offered to a client). Such business processes have as an input the material flow, transform it through labor, thus adding value to the unit of the final product. That means costs are directly included in the self-cost of the unit of the final product for sale, e.g., cost of packing, etc.

Auxiliary business processes are used by the main business processes, but the cost of their use cannot be directly included in the self-cost of the unit of the final product as these are indirect costs of the trade organization.

The main business processes in most cases only at first glance are identical for organizations engaged in the same type of activity (e.g., sales for trade organizations), or generally they are unique (e.g., with sales of specific goods, large-size). For the automation of such processes there are branch decisions (e.g., automated management system optimum, dispatch management systems, transport optimization systems) or special tailor-made systems.

Alongside with this, auxiliary business processes are practically identical in all organizations (e.g., accounting, production capacities management, financial management, material and technological supplies, personnel management and personnel recording, etc.), and the existing differences are manifested on the lower levels of detailing. Such business processes are very well studied and formalized. There is a large number of systems for their automation – from small narrow-aimed systems (1C-accounting, BOSS-Kadrovik, etc.), to such complex systems as ERP (SAP/R3, Oracle Applications, etc.).

### 3.3. Clarification of Business Processes Classification in Trade Organizations

In order to ensure the efficient management of a trade organization all main and auxiliary business processes should be classified by a number of features. In the literature on economics there are several main approaches to the classification of business processes. It is connected with the fact that due to the absence of common united classification of business processes different groups of professional in management are seeking to develop their own approaches to the classification. Each of the said approaches possesses its own advantages and disadvantages.

Thus, Repin and Eliferov (2009) suggest the following classification attributes of business processes: In relation to clients (internal and external); in relation obtaining of the added value (main [adding value] and auxiliary [adding cost]); by the level of consideration detail (upper level, detailed and elementary).

Another approach to classification of business processes, applied by the specialists for integrated information systems introduction utilizes an absolutely different principle of decomposition and splits business process into the main and managerial. Alongside with this, the Main processes are understood as all processes connected with the relocation or transformation of material flows. Business processes connected with the relocation or transformation of information flows refer to the group of managerial ones (Gershun and Gorsky, 2005).

Many authors also provide further classification of each of the singled out process groups. Thus, Kovalev and Kovalev (2005) refer to the group of the main ones the following business processes: The processes, which create added value to a product, produced by the company; the processes, which create a product, representing the value for an external client; the processes, the direct goal of which is the earning of income; the processes, for which an external client is ready to pay money.

In our opinion, the existing classification of business processes can be added with the following classification features: By the effect, by targeting, by continuity of execution depending on the level of detailing.
By the effect we recommend to single out the business processes, which create the biggest added value for the company, for clients and which create the highest transaction costs. To the latter the processes with the most intensive interaction among different links or with the external surrounding (recording processes, goods purchase and sales process) should be referred.

By the targeting one should single out the business processes aimed at the economic effect in the form of profit and other quantitatively expressed performance results, and the business processes aimed at social effect in the form of moral satisfaction of employees with the results of their labor as well as in the form of satisfaction of buyers with the quality of sold goods, their packing, etc.

By the continuity of execution some of the processes are continuous, e.g., process of management, purchases, sales, etc., and some are discrete, i.e., temporarily stopped and renewed again. As discrete individual processes are referred to, e.g., those connected with the execution of individual operational objectives, or those connected with the property or other assets for lease.

In the authors’ interpretation of the dependence on the level of detailing it is necessary to single out:

- Business processes of the first level (inter functional, “cross-cutting”) – their management of several structural divisions of a trade organization;
- Business processes of the second level – their management is carried out within one structural division of a trade organization;
- Business processes of the third level are executed by one officer.

As business processes of the first level, as it was mentioned above, it is necessary to refer to the earlier singled out main business processes: “Goods purchase,” “Stocks regulation,” “Wholesale goods supply,” “Retail goods sale.”

The decomposition of trade organizations’ first level business processes makes it possible for us to identify the second level business processes of trade organizations.

The business process “Goods purchase” can be decomposed into the following business processes of the second level: Demand study and prognosis;
- Target decisions making on goods purchase;
- Goods assortment formation;
- Goods supplier selection;
- Establishment of business ties with goods suppliers;
- Settlements with suppliers;
- Control over the process of contract obligations execution.

The business process “Stocks regulation” includes the following second level business processes:
- Quantity and quality goods acceptance;
- Process of acquisition and preparation of goods for sale;
- Process of logistic distribution of goods to shops;
- Process of recording, analysis and regulation of stocks.

The business process “Wholesale goods supply” can be decomposed into the following second level business processes:
- Provision of services of technological nature (packing);
- Provision of information services on goods assortment;
- Acquisition of goods;
- Shipment and delivery of goods.

The business process “Retail goods sale” consists of the following second level business processes:
- Selection of the methods of goods retail sale;
- Display of goods in trade area;
- Carrying out of advertising and information activity;
- Settlements with buyers;
- Delivery of goods to buyers;
- Provision of services while goods are exploited (warranty, maintenance).

The third level of business processes envisages the specification of the second level business processes in the composing business processes as models of logical chains functions, executed by administrators. It is sufficient to single out inter functional business processes and detail them to the second level with the view of business processes management.

In general, a company, oriented at the process, ensures internal continuous cycle of goods flow and services provision as well as the quality control at every step of goods flow from delivery to a trade organization to sale. In order to ensure a continuous cycle of trade activity organization’s business processes require optimization and further improvement.

Business processes are usually defined proceeding from the demands of consumers (clients). It is very important to ensure unrestricted execution of the process, which, in its turn, will make it possible for a company to increase added value and maximize the usefulness and value of goods and services for its clients. The efficient management of the company’s core processes is the main key to success. The management of processes in modern conditions is a complex enough problem as the processes cannot exist separately but they interweave with each other.

3.4. Peculiarities of Business Processes Management in Trade Organizations

Any business process in trade organizations in market environment is a subject of the certain managerial influence.

The management of any process in trade organizations, whether it is goods purchase, sales or logistics has inputs and outputs, in other words it originates from the administration and has certain results. To execute the process it is necessary to possess resources, which are at the disposal of the process owner (manager). In the changing market environment it is necessary to thoroughly select and efficiently use the available resources. In order to be able to manage the process its owner should receive the information on the course of the process and from the process’ consumers (clients), which should be done through the corresponding marketing study. Correspondingly, the superior officer sets the goals of the process and should receive regular reporting on the
course of the process. The owner of the process personally makes managerial decisions.

Conceptual scheme of business process management in trade organizations is represented in Figure 2.

According to Figure 2, the business process includes: The owner, the manager and the executor of the business process, the technology of the business process execution, the business process inputs and outputs, and the resources necessary for its execution.

Business process management is exercised at three management levels: Upper, middle and lower.

At the upper management level the business process owner sets target goals of business process effectiveness and informs the manager of the said business process about them.

The manager at the middle level of management, carries out the activity of business process management, directed at reaching the target values of indicators, set by the owner.

At the lower level of management the executor of business process carries out business process execution on the basis of the available resources, using the business process technology and the received managerial information from the manager.

The conceptual scheme of organization’s business processes management includes information feedback from the executor of the business process to the manager (business process indicators) and from the manager to the owner of the business process (managerial reporting on business process).

The technology of the process describes the procedure of the business process execution to transform inputs in outputs via resources. The business process resources include financial, material, labor, information and other means available for the business process owner.

The result of the business process execution is a product or a service, valuable for consumer (client) of the business process. Other business processes from the whole integrity of organization’s business processes act as consumers of the business process.

Regarding the business process as an element of the business processes integrity implies the identification of ties among all existing organization’s business processes, revealing of inputs suppliers and singling out of business processes outputs consumers.

4. DISCUSSION

In our opinion, while managing business processes it is important to pay attention to their continuous improvement. Under business processes improvement in retail trade, we and many scholars understand a set of purposeful actions, directed at the improvement and, consequently, increase of the effectiveness of each business process and trade organization’s activity, as a whole.

In the course of the study we have also revealed the main factors, which encourage trade organizations to focus their attention on the improvement of business processes:

- Demands made by consumers (clients) and the state;
- Necessity to cut costs on business process execution;
- Hard competition of large trade chains;
- Introduction of quality management program;
- Internal organizational contradictions in trade organization.

The necessity of business processes improvement exists for all organizations functioning in a competitive environment and this

![Figure 2: Business processes management conceptual scheme in trade organizations](image-url)
requires the continuity of the said process. Selection of processes subject to the improvement, first of all, is individual for each organization. In order to single out the priority problems, i.e., the weakest links in the business processes it is very important to conduct a survey of not only top management, but the heads of divisions and departments of the organization.

The following marketing directions of trade organizations’ business process improvement are suggested in the present conditions: Direct improvement of the first level main business processes; development of tools for business processes management in trade; development of assessment methodology for business processes effectiveness.

In order to improve the business process “Goods purchase” the following directions are suggested:

• Extension of the applied techniques of studying demand and researching market competition;
• Integrated approach to the selection of the most “profitable” suppliers from the position of costs minimization;
• Extension of goods assortment and optimization of its structure;
• Multi-variant approaches to purchases prognoses.

The improvement of the business process “Stock regulation” is suggested to enhance the following:

• Development of stocks regulation scheme;
• Identification of the minimal (threshold) level of stocks;
• Improvement of stock analysis and record;
• Improvement of the organization of goods delivery to the district consumer cooperation shops.

In order to improve the business processes “Wholesale goods supply” and “Retail goods sale” the following directions are suggested:

• Identification of optimal prices for sold goods;
• Strengthening of influence on consumer behavior through the introduction of new goods promotion tools;
• Extension of the variants of after-sale services provision;
• Application of different techniques for assessment of consumers’ satisfaction in goods and services;
• Extension of the ways of goods sales and forms of payment.

5. CONCLUSIONS

In the course of the study we have defined the essential characteristics of business processes, made analytical overview of approaches to business processes definition. In the process of the study we have singled out several common essential points, characterizing business processes in trade organizations in market environment.

We have identified three levels of business processes management: Upper, middle and lower. The upper business processes management level is represented by the owner of the business process, the middle – by the business process manager, and the lower – by concrete executors.

All business processes of trade organizations can be conditionally subdivided into main ones, which add goods value for a buyer (client) and auxiliary ones. Auxiliary processes don’t add value directly and bear costs, but they give results for the main business process of organization as a whole. The existing classification of business processes should be added with the following classification features: By the effect, by targeting, by continuity of execution, depending on the level of detailing.

The study of the peculiarities of trade organizations’ operation made it possible to single out four main business processes of the first level: “Goods purchase,” “Stocks regulation,” “Wholesale goods supply,” “Retail goods sale.” It is substantiated that their management covers several structural divisions of a trade organization. The executed decomposition of the first level business processes of trade organizations made it possible to identify the business processes of the second level. The management of the second level business processes is done within the frameworks of one structural division of a trade organization. It is revealed that the third level business processes are managed by one officer of a trade organization.

We have worked out the conceptual scheme of business processes management in trade organizations, which includes the owner, the manager and the executor of a business process, the technology of the business process execution, inputs and outputs of the business process and the necessary resources for its execution.

The research carried out made it possible for us to reveal the main factors encouraging trade organization to focus their attention on the improvement of business processes. In our opinion, to the main marketing directions of trade organizations’ business processes improvement one could refer the following: Direct improvement of the main business processes of the first level; development of the set of tools of business processes management in trade; development of the business processes efficiency assessment technique in trade.

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