

A NEW MODEL FOR RENEWAL OF BUSINESS PROCESSES IN INNOVATIVE ENTERPRISES

Nov model za prenovu poslovnih procesov podjetij z inovativnim poslovanjem

Abstract:

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The transition from the routine-loving to the innovative society requires a permanent effort aimed at renewal of business processes for enterprises to practice innovative business and therefore attain competitiveness in contemporary global markets. For the effort to yield success, it must be clear what this means and which methods are suitable. An overview shows that none of the best known international methods has been found successful forever but rather temporarily. They must have some deficiencies. First of all, they are not requisitely holistic. Hence we suggest here a new model for renewal of business processes in highly innovative enterprises. It is based on a synergy of the most usable methods attained by systemic thinking.

Key words: innovative business, business process, renewal, systemic thinking

Izvleček:

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Prehod iz rutinske v inovativno družbo zahteva nenehno prizadevanje za prenovu poslovnih procesov, da bi mogla podjetja inovativno poslovati in tako dosegati konkurenčnost na sodobnih globalnih trgih. Da bi trud bil uspešen, mora biti jasno, kaj to pomeni in katere metode temu ustrezajo. Pregled kaže, da so bile najbolj znane mednarodne metode le začasno uspešne, saj so bile pomanjkljive, predvsem pa premalo celovite. Zato predlagamo tukaj nov model prenove poslovnih procesov podjetij z inovativnim poslovanjem, ki temelji na sinergiji najbolj uporabnih metod s pomočjo systemskega razmišljanja.

Ključne besede: inovativno poslovanje, poslovni proces, prenova, systemsko razmišljanje

JEL: M14, O31

1. The selected problem and viewpoint

The period of companies' operations prior to the transition process was marked as the period of a stable routinised society. The forms of the defined business policies were few with few versions of defined goals. Organizational structures had relatively many hierarchic levels; their efficiency focused mainly on the implementation process in the company (in phases following the definition of goals). Today, the situation is not as simple anymore. The definition of goals became an essential, complex, even problematic and time-consuming matter. It enables us to avoid numerous mistakes, to become more successful than our competitors and thus to ensure long-term development and existence of the company. For the development of a company that wishes to be innovative, the definition of the subjective starting points of decision makers in the company has the most important influence. Unlike the business practice of so far – to carry out an analysis within a business event at first – now, we first make a synthesis of the starting points as a basis for analysis and then the analysis phase follows (Mulej, 1979). In the continuation, we will pay special attention to the fact.

Slovene companies, too, must actively search for new business models to innovate their entire operations, management and organization, which include innovation of culture, atmosphere, predominating habits among employees – from supervisory boards to those at the lowest organizational-hierarchical levels. The following question surfaces: How to conceptualize, prepare and carry out the model of the business process renewal?

Routine-loving work that occupies a vast majority of workers in most (also Slovene) organizations asks for much less connection with education and research than the invention-innovation processes require. Until there are few invention-innovation processes, there will also be little cooperation.

2. The definition of business processes

In business practice, and even more often in economic theory, we can find numerous definitions of business processes. To enable reviewing of them in one place, we offer some definitions.

A business process is defined as a system of activities, material and information flows that together with sources and means in the defined organizational structure ensures reaching added value as a difference between input and output (Dulc, 2008). The most important definitions of process components include (Vozel, 2000, 11; Sparxsystem, 2008):

- Inputs of the business process are raw material, material, work, capital, knowledge etc.
- »Process phases« consist of more activities in logical order.

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- An activity can be divided into tasks performed by employees at their workplaces.
- The result is an output element; it can be a physical product, a report, information, service or some other final result of several successive steps.
- There is always a final ordering party of the output element who has clearly defined its purpose and characteristics in advance and, as a rule, also agreed on the price.

We can find more definitions of business processes in professional literature:

- Hammer (2002, 27) defines a business process as an organized set of connected activities acting together to create a result that presents value for the customer.
- A business process is a unit of logically connected implementation and control procedures, which results in a planned product or service. The efficiency of the process can be defined and assessed with the result of resource consumption used for the transformation of input into output (Kovačič, 2002, 26).
- A process defines the course and transformation of material, information, operations and decisions. Business processes include inter-connected, successively structured beyond-functional activities with a very clearly recognized start and finish as well as input and output (Kovač, 1998, 209).
- A business process consists of procedures, steps, technology and people needed for carrying out an important part of operations inside a company. Usually, the process intersects numerous organizational borders inside a production unit and demands adjustment over these borders (Harrison, 1995, 67).
- A business process is a collection of activities demanding one or more kinds of inputs, and creates a result or an effect that represents value for the buyer (Hammer and Champy, 1993, 35).
- Davenport and Short (1990, 11–27) say that a business process is a mix of logically connected tasks whose goal is reaching a business result. They add that the process has two more important characteristics. The first one is that the process includes a buyer, the second that the business process steps out of organizational borders and is, in general, independent from any formal organizational structure.
- Carrying out a company activity is thought of as its business process. It is a condition for reaching the basic goal of the company, which is gaining profit. The company performs its economic task in the society with proportionally permanent repetition of a certain mix of working procedures, which is the essence of its business process that is called the reproduction process in the company. In the production company, the latter consists

of three phases: purchase of all business elements, production, and sales. In market economy, it is not possible to carry out all three phases of the business process if these partial processes are not constantly fuelled with financial resources. Therefore, a process of financing is also a constituent part of a reproduction process in the company (Pučko and Rozman, 1992, 30).

- Turk (1987, 98) says that a business process is an entity of inter-connected partial processes that ensure planned effects and an entity of tasks connected with ensuring efficiency and successfulness of these processes.

The stated definitions do not distinguish between innovative and non-innovative operations; differences refer to the background, method and goals of operations. There is also no statement about the need for innovative operations. It is about a different method of operations. Today, both are important.

Business processes can be divided into central or key, supportive or administrative, and management processes (Dulc, 2008). The mentioned division is, of course, basic and the most important for understanding of the primary division of business processes. Key processes produce value for the outside customers. Supportive processes usually do not contribute directly to increasing the value of results, but are crucial for process execution. The purpose of management processes is planning, development and control of the other two groups of processes. Their important role is also shown in developing and implementing a system of criteria for the assessment of efficiency and effectiveness of business processes. Indirectly, they contribute to creating and maintaining a suitable organizational culture. All processes in a business system need attention in order to ensure successful and effective operations. The business system can be in danger of losing customers due to deficiency of key and supportive processes; its existence can also be endangered for the same reason. On the other hand, it is difficult to establish which processes are critical and need renewal if we do not have efficient management processes (Črv, 2000, 660).

3. Dimensions of the business process renewal

Innovative operations ask for continuous changing of business processes regarding the changing behaviour of final product or service consumers. World corporations are aware that today's consumers appreciate, and consequently reward by buying, only products that include more and more knowledge and less and less material (Peters, 1996, 25).

In the model of process organization, the division of work into separate tasks is substituted with re-joining and division of tasks on another basis. This means that employees carry out more different tasks at their work, which is also called »job enlargement« (Business dictionary, 2008). All this leads to workplace pooling and asks for higher education of employees. Workplaces are not determined according to the position in the organizational hierarchy, but everyone has

to be focused on the demands of the process phases. The attention is redirected from single workplaces and jobs to the entire business process. Ideas about 20 to 60% improvement of the existent work method and proper lowering of operating costs are the stimulation. There actually are possibilities; however, reality is usually different. Before starting to think about improving processes, the management team has to agree about the basic characteristics of the process. It sets five key questions:

1. What is a process?
2. Which are the main processes in our organization?
3. Where does an individual process start and finish?
4. What are the results of each process?
5. What are our demands regarding the process?

The next step is deciding about the kind and complexity of the wanted process activities. Complexity is a process made of many steps following one another in a logical sequence to achieve a goal (Vozel, 2000, 11).

Beside answering questions managers asked themselves at the beginning, they also have to know precisely what they want to improve in the process themselves, what needs to be improved from the viewpoint of business and availability of resources (people, material), and what expectations and demands customers have. Customers' demands are revealed by market research that gives us answers to questions related to form, quality, delivery time, technical characteristics and product or service price. Every process change needs to be checked from the viewpoint of resources available for change and from the viewpoint of business we are dealing with. We have to assess how much time we need to introduce changes in the process. Following is the assessment of the costs of this change. Next, we have to know what the need for information is. And also, whether we have at our disposal employees that are able to analyse the problem and then introduce solutions into practice. When renewing processes, there are also managements' demands – these refer to ensuring repeated quality, productivity and physical extent of operations, implementation costs and implementation time of the process. The changed business process has to be better than the existent one.

The term business processes renewal includes changes of all business processes, also the change of management processes (McHugh, Merli, Wheler, 1995, 51).

In fierce competitive conditions and turbulent environment, constant monitoring of the organization in terms of quality shift from functional or departmental thinking is important. Innovative companies are becoming more and more aware that in the modern operations most changes are not based only on taking advantage of competitors' deficiencies, but on internal organization of operations. Improvement, renewal, or setting new processes essentially contribute to the improvement of operations. However, the possibility of success grows if we undertake operations sy-

stematically and if we are familiar with the reasons due to which we have decided for an improvement. Many times, processes are invisible and are carried out through organizational structures, but they are more natural than organizational structures as they consequently reflect a wish to reach entrepreneurial goals (Jacobson, 1995, 3).

The renewal is a complex, dynamic and comprehensive phenomenon. Therefore, to understand it, it is important to be familiar with and understand the synergic activity of the process organization and its interdisciplinary consideration (Potočan, 2005, 40).

People have always strived for improving their activity. The idea of the process renewal is largely connected with the development of the process movement and goes back to the eighties of the 20th century. Systemic and process understanding of the activity and behaviour of an organization (a company) created conditions for process consideration and related consideration of the process renewal (Potočan, 2005, 40).

A business process is a highly complex, dynamic and comprehensive phenomenon that is easier to get to know, study and renew using permanent improvement (Potočan, 2005, 44).

The advantages of permanent improvement are (Potočan, 2005, 44):

- Greater adjustment of the specific goals of process improvement and the main goals of an organization,
- Lowering conflicts between the present organizing and organization and suggested organizational change based on the process renewal,
- Easier adjustment of interests of all cooperating in the renewal,
- Lowering employees' opposition to the process renewal.

Each organization (company) wants to improve carrying out its operations in order to do things more efficiently and successfully and thus to achieve proper earnings. Unprofitable organizations (companies) also strive to attain effectiveness, efficiency and productivity that enable them to reach their goals. But the majority of work in business practice is not equally exciting and constant improvement is limited. Constant improvement importantly lowers risk of the process renewal, which is especially true for key business processes. The level of business process stability is necessarily relatively high and therefore does not stand radical change; though, constant improvement brings advantages we have to use.

The dimensions of business processes include (Vozel, 2000, 12):

- Linearity and nonlinearity of processes: business processes are three-dimensional by nature. The first dimension of the process is its linearity. The procedure is identified by the fact that it has a starting and final

point (incoming and outgoing elements). Rare business processes are performed linearly, in reliable one-way sequences.

- Width of processes: processes' second dimension is width that shows how many organizational units cooperate in the process. An organizational unit can participate once or more times in the process, depending on work organization.
- Depth of processes: the third dimension of the process is its depth or level of details. This is relevant when monitoring the situation: we can decide for a rough estimation of all activities or study the process to the last detail.
- Interdependence of processes: the introduction of radical changes and constant improvement of the existent operations do not exclude one another. These are two complementary approaches that supplement one another. By changing both approaches in dependence of an individual example, one can attain optimal results (Črv, 2000, 662).

4. Difficulty levels of the renewal/innovation of business processes and their influence on the organizational structure and the activity of the company's management

Both, theory and practice know at least three difficulty levels of the business process renewal (Reagan, 1995):

- The business process improvement,
- The business process re-engineering, and
- The business process architecture (setting new processes).

4.1 Operations process improvement

Firstly, the management team portrays characteristics of business processes in the company and then decides what to improve. Following is the selection of the kind of process activity or one of the three approaches for improving business processes. They differ according to the complexity of change, size, and needs for financial and human resources.

Operations process improvement is very limited in extent, and it includes only a part of the process inside a certain organizational unit. We determine starting and final points of the process, adjust the business plan, and the annual goals. The results of such project, lasting approximately six months, are improved operations; meanwhile, the mission of the department, organizational borders and structure remains unchanged (Vozel, 2000, 13).

The improvement can be made by a smaller team inside the department, led by a line manager. Activities being carried out by this team start with education. The next step is the preparation of detailed process diagrams that show the course of the process and interactions inside and outside the organizational unit. Other techniques can also be used,

for example: a diagram of information flow, a diagram for identifying and solving problems, a study of the reporting method and an analysis of the time that employees use for certain activities. The results are shown in the improvement of the existing situation.

The level of process improvement also holds some traps. One of the main traps refers to the connections with other organizational parts. Local optimization may cause work duplication and, therefore, lengthen the time needed for production and increase costs in another department if, for example, management corrects deficiencies in one department.

4.2 Operations processes re-arrangement (for example, re-engineering)

When company's management is more demanding or not happy with the short-term improvements, it decides for a more extensive group of process activities – re-engineering. These projects are rather more comprehensive: their starting and final points of the process are in different organizational units. Different departments cooperate in the project; their cooperation may be partial or holistic. The goal of this renewal ambition is to reach improvement whose results will be evident not earlier than in three or four years. Results of a successfully carried out re-engineering will as methods of innovation enable better operations in the next medium-term period.

Typical re-engineering in the company consists of two phases. The first phase includes identifying problems, data collection and the preparation of a process diagram (diagnostic review of the process); it lasts approximately 6 months. Following is the second phase – the implementation of the suggested changes, which takes a few additional months of work. The changes in the finished project are evident in the renewal of organizational borders; the existent method of work and work instructions are changed and the competences of employees increase, which leads to eliminating at least one level of management. But the mission of the organization does not change. The employees have to learn a new method of work; that means that the role of the middle management is very much changed in re-engineering. Re-engineering is directed beyond the borders of individual departments into the entire company. This means that managers are supposed to comprehend the business as a whole.

An important key to success is visual picturing of the process. The constituent part of projects is a process diagram, which illustrates barriers as well as opportunities for improvement. Properly prepared diagram of activities and information flow will make better understanding of problems possible, which will reflect in greater readiness for the introduction of changes.

Re-engineering is thus directed in reaching middle-term goals based on fierce demands of the market and increased pressure of the competition.

4.3 New operations processes architecture

A constituent part of the existent architecture of business processes in a company is also its organizational structure. It depends on various influential factors – basic activities of the company on the one hand and the life cycle of the company on the other hand (Becker, Kugeler, Rosemann, 2003, 95).

The method of new architecture is the most comprehensive level of the operations renewal. We focus on the entire business and not only on certain departments or critical processes. The project starts with a thorough analysis of market conditions, a review of company strategy and operations as a whole. Additional information is gained by research and new technologies and by comparisons with competitors in and outside the given industry (benchmarking). Information technology is crucial in this method; it will partially replace employees and abolish procedures carried out manually before. The result of the project will be a new organizational process structure with new technical requirements. Here, the architecture of processes will be an important tool.

In the first phase, it is important that the management is informed in an early stage, as its support and cooperation is essential for the project to succeed. In the second phase, the restructuring of employees follows because there are considerable personnel discrepancies. We thus need a program of education and requalification as well as a plan of hiring new workers with entirely different knowledge and skills (Vozel, 2000, 14).

5. Considering the law of requisite holism in the control of processes and their innovation/renewal

The law of requisite holism was developed within the systems theory, precisely, within the Dialectical Systems Theory (Mulej and Kajzer, 1998). The implementation of innovative operations into business practice by the business process renewal asks for pro-active thinking and action of all participants, which is very hard to achieve without a holistic manner of thinking reinforced by considering principles of the mentioned law.

The systems theory was created to support reaching holism with new approaches and methods. The more we deal with complex phenomena, the more holism is something difficult to reach and wanted at the same time. How is holism properly defined then? A uniform answer is difficult to give as practise is too various. Standardization can reduce such problems. Therefore, we are above all interested in the standardization of decision-making as it has an essential role in people's activity. This role makes the problem only seem trivial. When solving it, it helps to deeply engage in questions about complexity and holism and their consideration, and use the laws of requisite holism and variety (Potočan, 2001, 422–428).

More than seven decades ago, Ludwig von Bertalanffy started with research that led him to the warning that humankind thinks too narrowly: if we want to survive, we have to be loyal to the entire nature not only our country. It needs to be considered that all parts of nature, including humankind, are interdependent. This cognition led to the origin of the General Systems Theory. However, the narrow specialization could not stop being enforced; there is simply too much knowledge. The reduction of a complex whole to its individual parts and deeply engaging in them as if they were independent from the entire reality can be a successful basis for scientific knowledge, and less so for its application. In the business practice, too, we need requisite holism by all means.

The question when we will successfully enough beat the alternative of holism –entropic tendency – cannot be answered uniformly.

Mulej (2006, 19) has already proven that:

- Total, i.e. Real, holism is not attainable and often not necessary;
- One-sidedness is often not sufficient, at least in a great majority of practical activities.

Everyone starting an activity should consciously, deliberately and requisitely holistically define which level of holism can be considered proper. Such definition is a very demanding task. Practical complexity does not allow us to say 'nothing can be done' nor 'everything is completely clear, familiar and predictable'; both would be exaggerations. Therefore, the same practical complexity and changeability also neither allow us to say 'the level of holism has been defined once and for all' rather than ask questions about it again and again.

By trying to be requisitely holistic and thus successful, it is possible to, at least temporarily, beat the law of entropy. It is possible by using components of the Dialectical Systems Theory and links among them. We try to find the middle way. In practice, however, science, intuition and luck (good or bad) are interweaved (Mulej, 1997, 73).

Mulej and Kajzer (2001, 422) say:

- Fully uniform definition of a whole that should be monitored and/or controlled with one sole definition of concepts like whole and holism is not possible.
- The global whole of the entire universe might be the only real whole until humankind gets to know some bigger unit.
- The global whole is far from perception, comprehension and interest of a very large majority of individuals and organizations; many smaller units are still complex enough for systemic thinking to be more appropriate than the excessive reduction by choosing a single viewpoint of monitoring and/or control of such a unit.

- Which smaller units are interesting and comprehensive for individuals and organizations? It depends on their selected viewpoints. The latter depend on consciousness and sub-consciousness, which together form the subjective standpoints, and are a system/network of their values and other feelings and their knowledge.
- The selection of smaller units is already an inherent reduction. Therefore, it is important to see and decide which level of simplification is exaggerated and replacing systemic thinking with the traditional reduction one.
- Some level of simplification is necessary because there is too much complexity and knowledge in the world to handle it all. But this level should preserve the demand and practice to use transdisciplinarity that is realized as interdisciplinary creative cooperation of all essential viewpoints, jobs, partners. The latter are, of course, single-discipline specialists and at the same time capable and willing to cooperate.
- Cooperation is a characteristic of single-discipline specialists that is, in view of values and feelings, expressed in their ethics of interdependence.

Until now, it has been very difficult to reach all of this as:

- The systems theory has not become generally applied for linking different disciplines;
- The systems theory has not become enough of a mass movement to become generally used and re-establish the ethics of requisite holism.

Dangerous consequences of one-sidedness caused the General Systems Theory to be authored and both promoted and abused by those who did not consider consequences dangerous in the past decades. Narrow specialization predominates and has restricted the use of the systems theory inside some kind of a single-discipline holism (Mulej, 2000, 21).

‘It is high time for cognition to be very generally accepted that ethics of interdependence is a promising path out of the present crisis, where the systems theory is on the one side and the entire humankind on the other.’ (Mulej, 2000, 282)

Which holism is needed is determined by individuals, organizations or groups when determining the range of their monitoring. These people also take responsibility for consequences, if they do not set the requisite holism broadly enough – interdisciplinary. Such unpleasant consequence may occur if influential people think that they are doing something systemic-like, but it is actually more directed:

- Into formal definitions and only internal characteristics of the considered phenomenon, process, person, group, organization, society, part of nature etc;
- Into consideration restricted to an individual viewpoint instead of more broadly including ethics and practice of interdependence.

The law of requisite holism thus means that the authors of the definition of the selected viewpoints with which they will consider an entity (Mulej, 2000, 282):

- Do not exaggerate in the direction of the unattainable holism that is a system of all viewpoints and would take too much effort to be reasonable;
- Do not exaggerate in the direction of the insufficient, fictitious holism that would mean the use of the reduction that simplifies everything in a way that it excessively moves away from any reality;
- Should consider the actual need, namely, consider their interdependence caused by their necessary specialization, and develop their subjective starting points in the direction of the ethics of interdependence and capacity for interdisciplinary creative cooperation.

According to the Dialectical Systems Theory, holism is a system that consists of (Mulej, 2000, 283):

- Systemic attributes: consideration of global, shared characteristics of the discussed phenomena, their synthesis, synergy, system development that exceeds the sum of characteristics of all parts dealt with separately;
- Systematic attributes: consideration of detailed characteristics of the discussed phenomenon, if we monitor it by parts and without synergy – analytically and not synthesis-like;
- Dialectics: consideration of interdependence among parts – the same according to one part of characteristics and different according to the other – in the discussed phenomena; and consideration of processes caused by interdependence so that new systemic characteristics of the discussed phenomena arise from systematic ones by synergy;
- Materialism: consideration of reality instead of pure eyewitness when dealing with some phenomenon.

Of course, this is the holism of human activity composed of monitoring, comprehension, thinking, mental and spiritual life, decision-making, communication, and action. Something else is the holism of cognition that Bertalanffy did not define as holism but as wholeness.

The law of requisite holism is not some kind of a new laboratory theory, even less something fictitious. It is the result of long-term practice of monitoring, establishing and refusing of the systems theory as well as of narrow and at the same time necessary specialization. It is the same with the finding that it is not accurate enough if someone says that analysis goes before synthesis, but analysis has its own starting points of its authors that arise with synthesis. At this stage, the question whether this or some other holism is appropriate remains open. We do not have a simple answer. The complexity of the situation and responsibility of the decision-makers are not lesser for this

reason (Mulej, 1999, 23). Decisions and their consequences depend on their comprehension.

6. The example of Slovenia

To confirm the need in practice, I present some findings about practice in Slovenia. Key findings of the comparative research between the best Slovene companies and the world-leading multinational firms, carried out with the Manager Association in 2008¹, are:

- Managers' self-evaluation entirely confirms the finding that there is more than a ten-year setback in using the most modern management systems, and too small globalization of Slovene companies.
- Slovene companies are marked with 2.88 for general setbacks on a scale from 1 to 5 and with 2.58 for personnel setbacks, which means they are not comparable to the world-best companies (those reach mark 4). Here, self-criticism of Slovene companies is justified as financial comparisons show considerable setbacks as well.
- Slovene companies considerably fall behind the foreign companies operating in Slovene area.
- In Slovenia, we are mainly behind in costs, in using the most modern managerial models and in the development of global managers.
- Slovene managers estimate setbacks in personnel and in business models as the most critical; areas marked the lowest are the development of efficient human resources management and the development of global managers.
- Regarding financial indicators, Slovene companies fall behind most in productivity (income per employee).
- Foreign companies have for 14.1% lower costs of work in added value than Slovene companies, which is important information, particularly with regard to pressures on salary increase.
- Foreign companies have for 118% higher added value per employee than Slovene companies and are better marked for all 15 key differences; thus, Slovene companies have to reach simultaneous improvements in all areas to increase added value.
- In average, 20.9% of Slovene companies are at least comparable to the best foreign companies in general setbacks and 15.7% in personnel area.

¹ Based on the continuous comparison between the best Slovene companies and the leading multinational firms in 2008 for the Manager Association, a questionnaire applying to 15 key drawbacks of Slovene companies compared to the leading world multinational firms was prepared. In February 2008, a joint research was carried out. The questionnaire was sent to 300 biggest companies in Slovenia. Mainly good Slovene companies (34) answered as their average added value per employee is for 28.5% higher than the average added value of Slovene companies in 2006; the average level of operative profit (EBIT) in income is slightly higher than in the best Slovene companies TOP 101 according to the analysis of the newspaper Finance in 2006.

- Only one Slovene company estimated that it is comparable with the best foreign companies in using the most modern managerial, human resources and market concepts.

These data show that Slovene companies are waiting for real restructuring, the business processes renewal, not only of formal or organizational hierarchy structures. Regarding fierce global competition it is high time that they start with the restructuring of business models, improvement of product strategies, use of the most modern managerial concepts, and really global resource optimization. Regarding the competitiveness decline in Slovene business environment, the last point is especially important.

It is highly important that managers are aware of the significance of the business model as business models were, although they received the second highest mark, placed among the most critical setbacks.

7. The proposal for the new model of the operations renewal

7.1 About the most frequently used methods in short

In business practice, the basic goal of the operations renewal is to reduce unnecessary work in order for the company to operate competitively. It is basically about the fact that the renewal does not reduce people, but focuses on how work is done. The change of the organizational structure is not the priority (Hammer, Stanton, 1995, 10). In Slovene companies, we can mainly find quite known methods of the operations renewal. It is basically about the use of ISO standards, the Balanced Scorecard methodology and the 20 Keys Method (for production companies). USOMID methodology in business practice is still in its early stage. The stated method will not be especially dealt with in this article. It will be dealt with in connection with the mentioned renewal methods as an innovative method of the operations renewal that considers basic dialectical principles and as such can ensure the holism of the operations renewal by considering all essential viewpoints in synergy.

The stated methods of the operations renewal in Slovene companies, which are still operating in transition conditions, are many times unsuccessful or do not yield the expected results.

7.2 Methodology USOMID and possible connections with other methods of the operations renewal

After 1981, an applied methodology for creative co-operation originated. It was derived from the Dialectical Systems Theory with the use of components of many methodological and organizational approaches from the world practice and the theory of socialistic self-management. It is called USOMID (Mulej in soavtorji (Mulej and co-authors), 1986, 11).

The USOMID method is used for training the participants of the operations renewal process. The three laws and both dialectical systems of guidelines for the subjective starting points from DTS, but without knowledge about the theoretical background, are used in USOMID (Mulej, 2000, 4).

There are many reasons for the origin of the USOMID method; it is important because it helps people to face complexity. The use of every method is connected with the starting points for its use. It is a fact that different starting points open the way to different recognitions and consequently define the final outcome of the operations as well. The starting points consist of objective and subjective starting points. The objective starting points cannot be changed as they are given and incontestable; therefore, the differences in cognitions and activities apply mainly to the subjective starting points of the process participants.

The summary of guidelines for the definition of the subjective starting points for the definition of goals (Mulej, 2000, 127):

1. Considering the situation: ensuring inventiveness, holism and advantageous use of inventions.
2. Approach: methodological, not only methodical knowledge.
3. What: the most precise definition of the system »problem, goals and tasks«.
4. How: the most precise scheme of the implementation procedures for each task.
5. Considering all essentials: a dialectical system of viewpoints.
6. Personal capacity: for dialectical thinking (interdependence, interdisciplinary communication, creative cooperation).
7. Organizational possibility for team work.
8. Contemporaneity: continuous updating of the subjective starting points.
9. Knowledge and values: interdependence of all three components of the subjective starting points.
10. Evolution of personality: pre-history of the present subjective starting points.

If the subjective starting points are consistent with contemporary circumstances, therefore in favour of innovation, the successfulness of work is more likely as set goals defined on the basis of the stated starting points contain fewer mistakes.

Based on that, we can define the holism of behaviour - monitoring, comprehension, thinking, emotional and spiritual life, decision-making, communication and activity - as a dialectical system with four interdependent characteristics, mentioned before (Mulej, 2000, 6):

systemic attributes, systematic attributes, dialectics, and materialism.

The USOMID method was prepared to bring the theoretical ideas of the Dialectical Systems Theory closer to practice as a new kind of technology – practical methodology. The starting points for such thinking are found in the following four conditions:

- Competition and selection; that is supporting the successful and impressive;
- Knowledge supported by scientific research that is realized by developmental research complemented with amateur rational achievements of invention-innovation (co)operation of many;
- The introduction of stimulating awarding with differences according to effect;
- The integration of capacities, knowledge of ambitious values and sources directed into common success in broader frameworks, creative cooperation in the broadest sense of the term, joint operations instead of fragmented forces.

Knowledge that was developed in the dialectical systems theory gave nice results, but it could not have been developed for general use without going through all steps of the innovation chain:

1. From basic research to
2. Applied research and
3. Even more concrete development and
4. Engineering preparation to
5. Operational technology of creative work and cooperation.

In later improvement of the USOMID, authors shifted the attention from the organization to creative cooperation for innovation, including the operations renewal. However, methods from abroad were more often used in practice than the Slovene USOMID. Perhaps also this is the reason for weak success and the source of the need to offer a new operations renewal model.

7.3 The proposal for the new model of the operations renewal

Re-engineering showed to be too big an attack at continuing practice and too much intrusion. Similarly than older methods, it is used less and less, although it includes a lot of useful ideas. ISO 9000 similarly showed both a lot of good characteristics and resistance that often resulted in its guidelines being used more for formalities regarding the perfect quality than for innovation or the operations renewal.

One-sided use of the most used tool for the operations renewal in practice, BSC, proves to be restrictive. Companies that tried to carry out the innovative operati-

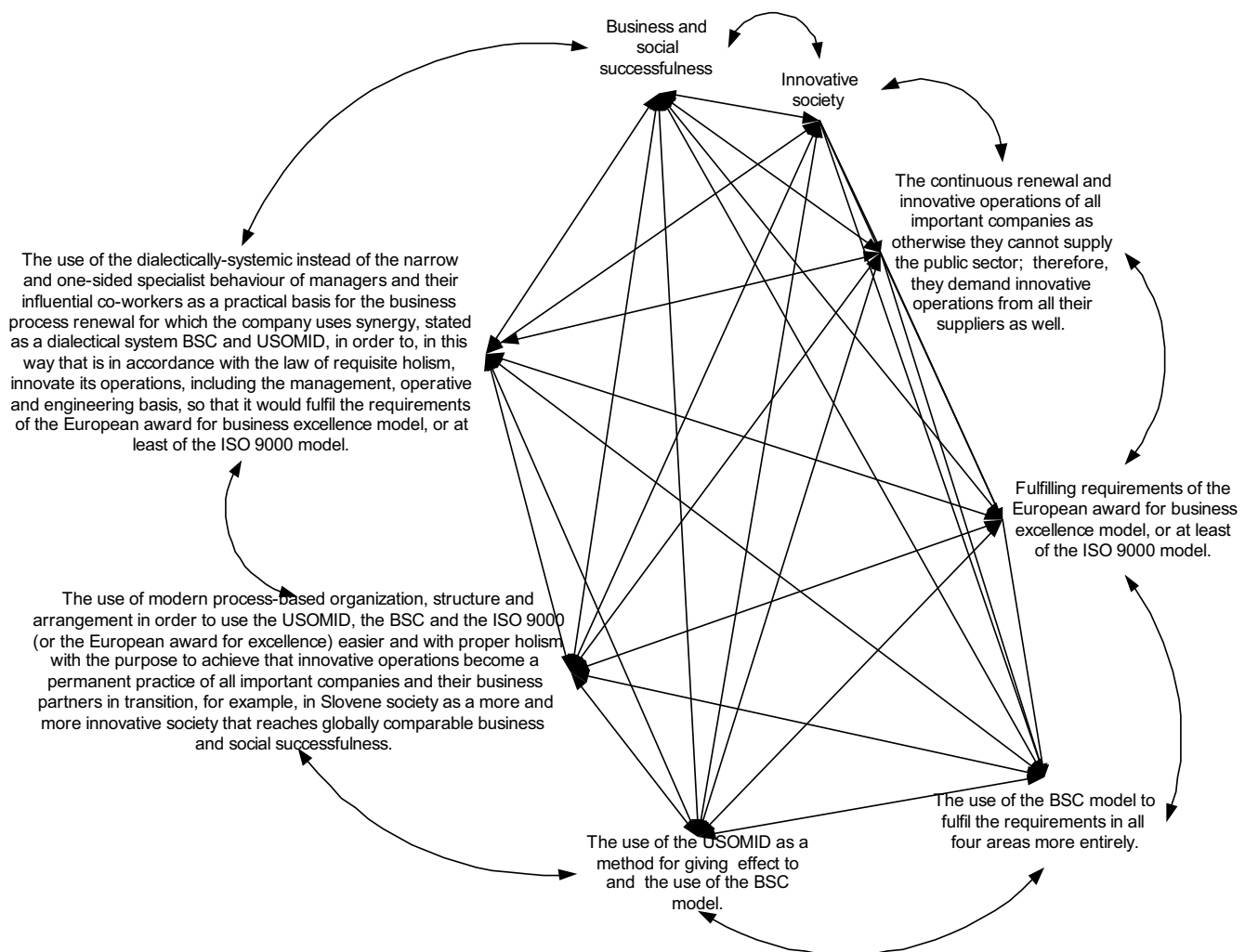
ons renewal with BSC have often not reached the set goals. The reasons are found in the exaggerated simplification and the lack of creative thinking and cooperation. Some ideas of re-engineering are included in BSC. In order to surpass routinised operations and the level of exaggerated solidarity in transition countries, which Slovenia is, too, it is necessary to introduce the USOMID method as an applied methodology of the dialectical systems thinking in the business practice of Slovene companies. Therefore, we suggest a new combination of the BSC, the ISO 9000 and the USOMID. Until now, it has not been clear from literature that they are complementary and together contribute to our ability to renew operations in companies according to the law of requisite holism. In Slovenia, the holism of proper holistic thinking in solving business problems is absent.

Our proposal is summarized in Figure1:

8. Concluding findings

The renewal of processes can be carried out in many ways regarding the extensiveness and the difficulty levels of the renewal. All stated forms of the renewal are primarily based on formal (hard) factors, directly linked to the nature of the company, but informal (soft) factors are not considered enough. The latter can have a very important influence on company's optimal operations, as these are psychological, sociological and socially psychological factors. From this point of view, in different methods of the business process renewal, a holistic way of activity and the recognitions of the dialectical systems thinking need to be considered, but on the level of requisite holism. In this way, we would create capacity to step out of the borders of individual sciences and bad interaction, in this case, of methods of operations renewal, and practice interdisciplinary cooperation on the level of requisite holism.

Figure 1: The new model of the operations renewal



Source: (Hustič, 2008)

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