MODEL OF STRATEGIC IDENTIFICATION OF ENTERPRISE’S ORGANISATIONAL SYSTEM

Abstract. The paper presents an analysis of the organisational system and approach to the organisation management process. Diagnostic methods and diagnosis in the process of functioning of the organisation with special emphasis on diagnosis and modeling of the diagnosis process were discussed. The purpose of this paper is to show a new system approach to research on organisations that focus on organizations as a set of areas of activity that are interrelated with each other, as well as on cause-and-effect relationships themselves.

Keywords: organisational system, management process, model

MODEL IDENTYFIKACJI STRATEGICZNEJ SYSTEMU ORGANIZACYJNEGO PRZEDSIĘBIORSTWA

Streszczenie. Artykuł prezentuje analizę systemu organizacyjnego i podejście do procesu zarządzania przedsiębiorstwem. Omówiono w nim metody diagnostyczne oraz diagnozę procesów funkcjonowania organizacji, ze szczególnym uwzględnieniem diagnozy i modelowania procesu diagnozy. Celem niniejszego artykułu jest pokazanie nowego podejścia systemowego do badania organizacji. Metoda ta skupia się zarówno na obszarach aktywności przedsiębiorstwa i ich wzajemnych powiązaniach, jak i na związkach przyczyno-skutkowych między nimi.

Słowa kluczowe: system organizacyjny, proces zarządzania, model
1. Introduction

Assessing the organisation’s ongoing state makes it necessary to compare results achieved by the organisation to results of its competitors, or to examine the organisation in contrast with other entities which could be a model of best practices in particular areas of the organisation’s operation\(^1\). Results obtained by the enterprise require to adjust appropriate measuring methods. Comprehensive assessment of results achieved by the organisation should cover relations with customers, presented by means of three main values: value jointly added by stakeholders, compound value and over-added value\(^2\). The organisation’s strategic diagnosis is the ability to make an analysis of given areas within the process of the enterprise’s operation. It includes a set of actions which precede making a choice and a decision pertaining to the purpose of the company’s operation and changes to the organisational strategy. Goals of strategic diagnosis are the following:

- to comprehend the potential of the organisation, now and in the future,
- to detect defects and explain reasons of their occurrence, combined with the assessment of defects’ impact on the effectiveness of the organisation,
- to determine and review strengths of the organisation,
- to refer to factors of the environment, as well as to operation of the organisation,
- to set a change direction within the process of the organisation’s operation.

According to Piotr Lis, the strategic diagnosis is a part of diagnosis characterised by its goal. The said goal is to determine how the enterprise should operate in the strategic perspective, distinguished by dynamic changes taking place in its environment. The objective scope of the diagnosis in question covers both the enterprise itself and its environment. Owing to the diagnosis, one may not only obtain information pertaining to the change of the subject matter of the research, but also determine the level of the development achieved by the enterprise. The application of this process enhances proper elaboration of actions in the event of a crisis, or issuance of necessary decisions when faced with a need for a change\(^3\).

The diagnosis – i.e. identification is a double-faced process. On the one hand, it involves detecting defects, explaining the reasons behind their occurrence, and assessing their influence on the enterprise’s effectiveness. On the other hand, the diagnosis includes defining and analysing strengths of the organisation. The diagnosis refers to both environmental factors and the organisation’s activity. It should result in determining external factors and specifying in which areas should the diagnosed organisation develop itself and compete with its rivals. The diagnosis process should also give an opportunity to answer the question about the essence of the general assessment pertaining to the organisation itself, as well as its operation.

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The purpose of the strategic diagnosis is to understand the competitive situation which the enterprise has to face now, and which it will have to face in the future\(^4\). Fundamentals of diagnosis include a thorough analysis at each level (area) of the enterprise’s operation.

Organisation is a system consisting of parts which are interrelated in a specific way. Every of these elements follows its own rules and procedures which condition the enterprise’s operation. Likewise, relations between particular parts are regulated by specified rules and procedures. The management functions remain in a complementary relation with particular resources of the enterprise. Thus, one is aware of what should be diagnosed in order to dynamise operation of the enterprise in the context of the enhanced use of the enterprise’s potential\(^5\).

2. Analysis of organisational system

The word *organisation* is etymologically and semantically related to a Latin word *organum* (gr. *organon*). Primarily, it used to denote being a unit, consisting of functionally related parts. A set of organisation-related notions also contains such indispensable terms like structure, unit or system. To characterise a definition of the organisational system, one should comprehend the importance of the structure in the first place, and later, the essence of the organisational unit. The organisational structure is understood as overall relationships between elements and the whole of the structure, examined in terms of the structure of complex objects, as well as process structures. On the other hand, the unit is a complex whole, perceived as a phenomenon which stands out of another, broader whole. This whole may be composed of things, features, or events. The organisational system is a unit whose structure may be perceived as a set of elements structured in a specific way. The system’s structure is determined by relations between its elements, and between the elements and the system. In other words, the system is a detached part of the reality, having its own internal structure. It is a structure consisting of parts arranged in accordance with specific rules which define their reciprocal relations.

**Equifinality** is understood as the system’s ability to achieve a desired final result by means of different methods, and on the basis of diverse initial conditions. In well-organised enterprises, everyone knows what to do, and – what is more important – everyone does what she/he is supposed to do, contributing in this manner to the achievement of a common goal. Well-organised enterprises should make their customers and employees satisfied. It is also the enterprise in which employees perform only these tasks which contribute to the achievement of common goals, and where employees take only necessary steps. Resource-based areas, organisational cells and particular work posts co-operate with one another to reach strategic goals. As an organisational system, the enterprise is something more than a simple collection.

\(^5\) Dźwigol H.: Bussiness…, op.cit.
of elements; the enterprise embodies rights which characterise the system, and which provide the organisation, perceived as the whole, with ownership and separateness from the ownership pertaining to its constituents⁶.

The system environment is understood as all elements which are not a part of the system, but which are connected to it. It means that they affect the system’s state or that the system has a specific influence on them. One can distinguish open and closed systems. A system is perceived as an open system when it co-operates with the environment, whereas a system is regarded as closed when there is no co-operation. Every organisation co-operates with the environment in which it operates, however, the level of such co-operation is diverse. For example, a factory manufacturing car parts is a much more open system than a monastery or a prison. Every system has its limits whose task is to separate the system from the environment. In the closed system, limits are rigid, whereas in case of open systems, limits are more flexible. In many enterprises, system limits are becoming more and more flexible. For example, oil exploration and production companies that wanted to initiate underwater drilling, were forced, in the course of their actions, to concentrate more on the reactions of public opinion on potential ecological losses. A part of every system contains a flow of information, materials and energy (including the HR energy). They can be found at the input (e.g. raw materials). Then, they are retrieved from the environment, transformed inside the system (they are subject to transforming activities) and released at the output (in the form of goods or services). Feedback is the most essential tool for system controlling. As operations in the system are progressing, pertinent information is transferred to relevant people, or to a computer for assessing the course of tasks and introducing modifications, if needed.

The systems theory distinguishes a dynamic and reciprocally connected character of the organisation and manager’s tasks. Thus, the systems theory establishes a framework for planning actions and foreseeing direct and long-term results, and, at the same time, it helps to comprehend unforeseen consequences in the course of their occurrence. Owing to the systems approach, managers can more easily maintain a balance between needs of particular departments and needs and goals of the whole company⁷.

Within a company based on the structure of organised action cycle, one may recognise two functions: managerial and executive. To stipulate a series of functions is of considerable practical importance and serves as a basis for shaping the organisational structure and management system of the enterprise. Within the scope of an industrial enterprise, one may determine the following functions:

- technical preparation of production,
- employment and human resources management,
- supplies and inventory management,

⁶ Ibidem.
⁷ Ibidem.
The enterprise’s management means purposeful usage of resources. One can manage the following resources: tangible, human, information and financial. The task of the enterprise’s diagnostic analysis is to detect the most important strengths and weaknesses contained in resources and functions. What is essential here is to analyse the environment and diagnose the enterprise. As a result of the assessment of the company’s own resources, one may distinguish the following categories of resources:

- market resources,
- human resources,
- financial resources,
- technological and production resources,
- organisational resources,
- know-how resources.

The diagnostic analysis results in identification of strengths and weaknesses of the enterprise to be later compared with these of its competitors. One should compare the whole system (systems approach) and its basic components. The diagnostic analysis is a comprehensive and multi-dimensional examination of what the enterprise really is.

2.1. Methods in the diagnostic process

The co-operation between science and practice should now constitute a strategic element of the process of managing the 21st century enterprise. The factual stance of the practical knowledge affects the results in the management process. In terms of relations between the management science and its practical application, the following factors are of critical importance:

- a scope, form and way of translating the research results into practice,
- descriptive and demonstrative explanations need to be translated into clear practical directives.

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11 Dźwigół H.: Bussiness…, op.cit.
while formulating the said directives, one should take into account, apart from scientific research results, also practical experience of the people who considerably affect managers or specified elements of the management.

Any formulated strategy should be based on the strategic diagnosis of the environment and the inner side of the enterprise, as well as on the strategic planning. Both above-mentioned elements are classified as strategic management tools. Diagnosing and planning require that the enterprise has a system of strategic information at its disposal. Many authors treat the notions of strategic analysis and strategic planning as inseparable\(^\text{12}\). The achievements of American scientific literature pertaining to the strategic analysis methods are considerable. K. Obłój and M. Trybuchowski present the following methods of the strategic analysis:

- the SWOT analysis,
- product/market grid – by H.I. Ansoff,
- the Boston Consulting Group matrix,
- the General Electric matrix,
- profitability matrix,
- stakeholders analysis,
- product life cycle,
- value chain.

Below one can find the justification why these methods have been selected to create the model for the strategic diagnosis of the organisational system:

**SPACE (Strategic Position and Action Evaluation) – an initial identification**\(^\text{13}\):

1. It allows to conduct an initial identification which could reflect the company’s strategic position in a given branch (sector).
2. It is an analysis of the company’s strategic position and an assessment of its business activity.
3. It facilitates making decisions on issues pertaining to diversification of the company’s activity performed in a mature sector.
4. It allows to give general answers to questions pertaining to the selection of domains, i.e. types of the company’s activity:
   - Which of existing domains should be increased?
   - Which of existing domains should stabilise at the present level?
   - Which of existing domains should be reduced or dismantled?
   - When will it be appropriate to start investing in branches which the company’s development strategy has ignored so far?


\(^{13}\) Dźwigół H.: Business..., op.cit.
5. It outlines an area in which the company’s position is to be identified. To this end it uses the following dimensions:
   - internal dimensions, referring to the company (financial power, competitive advantage),
   - external dimensions, referring to the company’s environment (power of the sector, stability of the environment).

The SWOT Analysis – a quick review\textsuperscript{14}:
1. It refers to analysing and assessing four factors. The analysis in question combines features of analysis, diagnosis and economic forecast.
2. It is a good starting point for estimating and analysing the existing state of affairs, which basically involves identifying major strengths and weaknesses, opportunities and threats.
3. It is a comfortable tool, allowing to review and evaluate the company’s situation. However, it is often necessary to conduct complex analysis of financial, technical and marketing character.
4. It is a good starting point for designing a strategy for further development of the enterprise.
5. It brings about that every strength and weakness, and every opportunity and threat should correspond to actions which dynamise the company’s activity.

Force-field analysis – a concentration opportunity:
1. It is used for a better exemplification of organisational changes.
2. It can be used as a diagnostic tool. A common visualisation of affecting factors appears to be very useful for identification of both change driving forces and change hindering factors.
3. It boasts a unique feature: possibility to focus on one major problem. The problem in question may be broad and multi-faceted, or relatively narrow.
4. It is a more specialised technique than other diagnostic and research tools, which hinders the tendency to simplify problems.
5. It is a highly promising tool for researching conditions of processes pertaining to putting projects of organisational changes into practice.

Modified Balanced Scorecard (BSC) – a strategic tool:
1. It is a tool which integrates the company’s management and knowledge management. It is also a basis for creation of a strategic knowledge card (with the following perspectives: customer-related, internal, financial or development-related one).
2. It allows to determine financial and non-financial goals of the enterprise’s activity by means of relevant indicators.

\textsuperscript{14} Ibidem.
3. Apart from financial indicators measuring the enterprise’s existing state, the tool also contains indicators for monitoring factors which may affect future results; the indicators stem from a vision of strategy.

4. It is a flexible tool used in the process of strategic management within the enterprise (possibility of introducing an additional perspective).

5. It ensures a balance between external indicators of customers’ and stakeholders’ satisfaction and internal indicators of effectiveness pertaining to key processes and development.

„LIDER” research method – of applicational and linking character:

1. It can be used for identifying activity areas, and for assessing the readiness of change leaders to introduce changes.

2. It is an added value for the traditional method of conducting surveys.

3. The method initiates the process of creating a new organisational model. The model in question will allow to thoroughly analyse the organisation, to determine proper methods for practical solving of organisational problems, with the purpose of creating an intelligent organisation.

4. It uses the survey methodology (interdependent questionnaires); thus, the research is destined to assess the employees’ commitment to the restructuring processes.

5. The method makes use of the expert group assessment and scenario-based methods to determine the scope and depth of restructuring according to the change leaders.

6. It allows to methodically determine the scope and depth of organisational changes in the enterprise.

3. Diagnosis in the process of organisation’s operation

The systems approach to the organisation’s diagnosis was developed in connection with putting the general systems theory into practice, and in conjunction with a growing uncertainty pertaining to the opportunity of precise determination of organisational targets. The authors of the approach stated that survival and development are a unique, determined and undisputed goal of the organisation. In this context, the organisation is able to operate owing to the strength and components of the system, its location within the environment and capability to maintain it and reinforce. The systems approach to the organisation’s diagnosis is based on the basic pattern of open system: inputs – transformation – outputs. A particular emphasis is put on the system’s limits which are responsible for separating the system from the environment, and for providing it with features which will differentiate the system in question from other organisations. By means of the systems point of view, managers may more easily achieve a balance between the needs expressed by separate parts of the organisation and needs and
targets of the organisation perceived as a whole. The word *organisation* is etymologically and semantically related to a Latin word *organum* (gr. *organon*). Primarily, it used to denote being a unit, being composed of functionally related parts\(^{15}\).

4. Diagnosis stages

The diagnosis of the enterprise can be conducted in the following framework\(^{16}\):

- basic **groups of resources**, which the company has at its disposal (tangible, financial, human, organisational and informational, technological resources),
- within the scope of **main tangible functions** (basic business activity, marketing and sales, financial issues, human resources etc.),
- in the aspect of **management functions** (planning, organising, motivating and controlling),
- the enterprise’s diagnosis process can be limited to the so-called **critical success factors**, i.e. these enterprise’s competencies which are of key importance to the competitive struggle for customers.

According to the concept, the enterprise is a bundle of widely understood resources, the exploitation of which affects the effectiveness of the enterprise’s operation in particular areas. One can draw a conclusion that the enterprise’s resources are not productive themselves, therefore, they need to be supplemented by new resources. The enterprise’s resources can be divided into seven categories:

- financial resources,
- tangible resources,
- market resources,
- intellectual property,
- people,
- organisational resources,
- relational resources (bonds with the environment)\(^{17}\).

**Stages of the diagnostic analysis include:**

- determination of an objective and subject matter of the study,
- critical analysis and assessment of the existing state of affairs,
- development of improvement variants,
- choice of an optimal variant and its justification.

\(^{15}\) Ibidem.
preparation of conditions for implementing and putting a new solution into practice,

inspection of a successfully implemented project and analysis of achieved results.

Taking into account the systems approach used for defining organisations, the Author specified seven areas of the enterprise’s business activity, called also critical areas, which were treated as essential diagnosing frames. The said critical areas include18:

- marketing and sales area,
- production area,
- human resources area,
- tangible resources area,
- financial resources area,
- organisational resources area,
- informational resources area.

As a result, the above-mentioned areas should constitute fundamental elements of the business activity modelling within the restructuring process, and should be the basis for developing a model which can manage change processes occurring in the organisation. A prior diagnosis should precede the research over the practical application of the enterprise’s management system. The said diagnosis is a result of the adopted descriptive and corrective approach, also called the diagnostic method. One cannot design any rational changes and improvements without having conducted detailed diagnostic research of the existing state of affairs. This approach makes one entitled to state that there is no good development design without a diagnosis. The diagnostic method is treated as an universal approach to researching and improving any and all systems. It results from the conviction that the existing management system can be enhanced solely through identification, assessment and diagnosis of existing state of affairs, detection of main irregularities, and design and implementation of necessary proposals for improvements. Identifying (describing) the structure and operation of the existing management system is a complex stage of diagnostic research (extended diagnosis). Identifying the facts, which are characteristic of the researched subject, is the foundation of all diagnoses and change designing processes. It is therefore difficult to design and introduce changes without knowing everything about the current state of affairs and the reasons which underlie it. The diagnostic method is basically of a descriptive and improving character, which involves designing changes on the basis of a prior, detailed description, as well as of an analysis and critical evaluation of existing solutions. Adoption of such an approach hinders one’s separation from the past, as well as the implementation of new solutions19.

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18 Ibidem.
19 Ibidem.
5. Modelling of diagnosis process

The sense of modelling manifests in the fact that a model is more suitable for research than an original, with no necessity to bear excessive costs and risks. In terms of the modelling process, two issues are of essential importance, i.e.:

- the goal for which the model has been created,
- mutual correlations between the features of the model and the features of the original.

The above-mentioned goal determines the way in which a given model is to be created, as well as the level of its simplicity. While elaborating a model, one focuses on some features, ignoring the others. The goal of abstraction, seen as the most crucial element of modelling, is to separate features that are non-essential (from the perspective of the modelling goal) from other essential features, i.e. those features which are subject to the scientists’ interest and research. The level of the original phenomenon’s simplification for the purposes of modelling affects mutual correlations between particular features of the original system. One should not let to reject a feature which may be significantly correlated with the features being of the scientists’ interest, as this move would cause the defectiveness of the model\(^\text{20}\).

While taking into account the systems approach which defined the organisation, one stipulated seven areas of the enterprise’s activity, also known as problem areas. The latter was treated as crucial parameters for diagnosing the enterprise’s activity. The structure, functions, projects and processes, combined with the environment, generate a series of variables which allow to evaluate the reality. The said variables create some determined relations which are mutually interdependent. The holistic approach requires to understand every single variable in contrast to other variables with which it forms a set. The use of the interaction method allows to become aware of and to grasp the complexity phenomenon, with the help of the following variables: structure, function, process and context\(^\text{21}\). The Figure 4 represents the strategic diagnosis of the organisational system.

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\(^{20}\) Ibidem.

The designing processes, based on participation, are the most effective method to create necessary changes under the conditions related to behaviours of the social system\textsuperscript{22}. The task of the enterprise’s \textit{diagnostic analysis} is to identify its most essential weaknesses and strengths found in its resources and functions. Analysing the enterprise’s environment and diagnosing the enterprise are of critical importance. The assessment of the enterprise’s own resources can be broken down into the evaluation of the following resources:

1) market,
2) human,
3) financial,
4) technological and production,
5) organisational,
6) know-how.

As a result of the diagnostic analysis, one can identify weaknesses and strengths of the enterprise in comparison with the same of its competitors. One should compare the systems not only as a whole (systems approach), but also on the basis of its fundamental components. The diagnostic analysis is a global and multi-dimensional test of what the enterprise really is\textsuperscript{23}.


\textsuperscript{23} Lichtarski J.: Planowanie…, op.cit., p. 264.
6. Summary

The author outlined a new systems approach to the studies on organisations, in which the organisation is perceived as a set of activity areas interrelated by mutual relationships, and cause-and-effect relations of positive and negative character. They are focused on the performance, in the most optimal way, of determined goals or activities.

The model of organisational system’s strategic diagnosis can be a tool for examining the enterprise’s business activity. To determine its weaknesses and strengths, one needs to have standards which can be referred to.

The model of organisational system’s strategic diagnosis allows to specify the process of diagnostic actions taken for the sake of both particular areas of its business activity and the enterprise as a whole. In such a case, the diagnosis constitutes a starting point for formulating a strategy for the organisation’s development. The strategy in question should be therefore elaborated by interdisciplinary teams consisting of competent professionals and experienced practitioners who were recruited not only from the specialists of the organisation, but also from other organisations.

The model of organisational system’s strategic diagnosis can be a tool for the process of diagnosing organisation’s activity. While pursuing the organisational system’s diagnosis, one should be familiar with a structure and a set of links between particular areas of the business activity. In order to determine strong and weak points, it is necessary to have standards to which one can refer.

This model constitutes an organisational methodology which specifies activities taken within the scope of the operational system’s diagnosis, for the sake of not only particular research areas, but also its practical application within the organisation. The key element of the analysis of each enterprise consists of proposed methods and techniques which, through their method-referred potential, pursue identification, diagnosis and projection of changes in particular areas of the business activity. Every model needs to undergo further research which will allow to adjust, on a constant basis, all methods and analyses used in the diagnosing process, with respect to changes occurring inside and outside of the enterprise.

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