BUSINESS PROCESSES IN ORGANIZATIONAL DIAGNOSIS

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The paper points out why and how it is necessary to include business processes into organizational diagnosis as a first step in the process of organizational change management. First, the necessity of including business processes into diagnostic models which are used during the performing of organizational changes is proved in the paper. Next, the business processes' components and characteristics which need to be included into organizational diagnosis are defined, and the way in which they are analyzed and evaluated in the process is explained. Finally, the method of development of the action plan for business processes improvement is also presented.

1. ORGANIZATIONAL DIAGNOSIS IN THE FIELD OF CHANGE MANAGEMENT

Organizational diagnosis is a very important issue in the field of Organizational Development and Change. It is often the case in studies that organizational change management comes down to answering three questions: why (the causes of change), how (the process of change) and what (the content of change) (Pettigrew, 1987). Organizational diagnosis should provide the answer to the first and third questions, and answer the following: Why should the organization be changed? What should the content of change include, i.e. what should be changed in the organization? Therefore, the diagnosis is given great importance in published writings in the sphere of organizational change.

Organizational diagnosis is a method used for analyzing the organization in order to identify organizational shortcomings so they would be neutralized through organizational change. In itself, organizational diagnosis is a concept

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related to the concept of organizational analysis, and it is necessary to make a distinction between them at the very beginning. Organizational analysis is in many ways similar to organizational diagnosis, but there are some important differences. The main resemblance between organizational analysis and organizational diagnosis lies in the fact that both methods are focused on understanding the organizational content, i.e. on identifying the elements of organization and their nature, as well as the relations between them. Both methods start with certain organizational models and use very similar, or exactly the same, techniques for data collection and processing. The key difference between organizational analysis and organizational diagnosis is their aim: the aim of organizational analysis is understanding the organization for the purpose of its exploration, while the aim of organizational diagnosis is understanding the organization for the purpose of changing and improving it (action). It could be said that organizational diagnosis is a specific form of organizational analysis – a form focused on the performing of organizational change for the purpose of improving organizational performance.

When it comes to organizational diagnosis, studies in the area of Organizational Development and Change are preoccupied with three main issues: 1. development of organizational diagnostic models; 2. the choice of procedures and methods for data collecting in diagnosis; and 3. methods and techniques of data processing and making conclusions (Hayes, 2002). This paper will only deal with the first issue – development of diagnostic models. The diagnostic model is a model of an organization that identifies its main components and relations between them for the purpose of understanding the organization as an object of change. The main task of diagnostic models is to simplify the reality. Researchers dealing with organizations are unable to treat the organization in all its diversity and multidimensionality, or it is simply not practical, so they, therefore, choose one perspective, or "portion", of the reality and observe the organization through it (Morgan, 1990). It is the only possible way to act within the organization and change it. Therefore, the main role of diagnostic models is to provide an understanding of the organization and the effective action within it by simplifying the reality. Hence, the main distinctive feature and main advantage of diagnostic models is one-sidedness and simplicity.

However, the main advantage of diagnostic models is, at the same time, also their main disadvantage. By simplifying the reality, these models make it easier to understand it, but by doing so, they put us in a situation where we understand the multidimensional reality and act in it in a one-dimensional manner. By overlooking other important dimensions of the organization, except the one addressed by the specific diagnostic models, we become "prisoners" of our own model, and thereby of just one perspective. What happens if the main problem lies precisely in an organizational dimension which our model neglected, underestimated or completely overlooked? Since our mental model governs not only our perception and interpretation, but also our actions, it means that we will always act within the framework it constructs. There is an old saying among the consultants: "If you hold a hammer in your hand, every problem will look like a nail." The content, the scope and the character of organizational changes are, therefore, always determined by the diagnostic model used by the agent of change. If the model is focused on the wrong dimension of the reality, then the action, i.e. the change, will also be wrong.

Until now, a dichotomy between the formal and informal components, or the so-called "hard" and "soft" components, has dominated the analytical and diagnostic models. From the very beginnings of organizational research, scientists have noticed that an organization is composed of structures and systems on one hand, and people and their behavior on the other. The classical organizational theory is concentrated on structures, while the human relations theory puts people in focus. The two main areas of organizational sciences are Organizational Design, which explores structures and systems, and Organizational Behavior, which explores the behavior of people in organizations. The diagnostic models created by the leading researchers and consultants mainly aimed at (and fairly succeeded in) reconciling these two organizational dimensions and balancing the presence of both components within organizations. This is the reason why almost all of the most important diagnostic models dealt with in the studies of Organizational Change Management contain strategy, organizational structure, systems, but also organizational culture, leadership style, motivation, etc.

Endeavoring to find a balance between the two dimensions of an organization according to one criterion, researchers have, however, forgotten the other criterion according to which the dimensions of an organization can also be differentiated: static – dynamic. According to this criterion, it is possible to classify all the organizational components into two categories: static and dynamic components. The static components of an organization are those elements that are, in their nature, states, while dynamic components of an organization are those elements that are, in their nature, processes. Static components of an organization involve all the states of organizational elements, regardless of whether they refer to hard, or formal, elements of an organization (structure, systems) or to soft, or informal, elements of an organization (organizational culture as a system of shared values, informal groups, power structure). Dynamic components of an organization involve all the processes within the organization, regardless of whether they refer to the processes that are a part of the formal, or hard, elements of an organization (business processes) or of the soft, or informal, elements (leadership, conflicts, motivation). The diagnostic organizational models, well-known and used both in studies and in practice of organizational change, are dominated by static elements, while dynamic elements are less present and mainly in case when it comes to the soft components of an organization. Motivation and leadership are present in a vast number of diagnostic models, while in a smaller number of models, informal processes, such as conflict management, etc., can also be found. However, the absence of business processes in diagnostic models as a dynamic formal component of the organization is conspicuous. This is even more surprising if we bare in mind the fact that at least two programs of organizational change are based on the business processes change: Total Quality Management and Business Process Reengineering.

	FORMAL - HARD COMPONENTS	INFORMAL – SOFT COMPONENTS
STATIC COMPONENTS	DESIGN: Organizational structure, systems	BEHAVIOR: Culture, informal groups, power structure
DYNAMIC COMPONENTS	BUSINESS PROCESSES	INTERPERSONAL PROCESES: group processes, leadership, conflicts, political processes, communication

Figure 1. Organizational components

The aim of this paper is to point out the necessity of including the business processes in diagnostic models that are used in the process of organizational changes, as well as to show how it can be done. We will first present some of the most important organizational diagnostic models well-known to science in order to show the absence of business processes within them. Next, we will argue the necessity of including business processes into diagnostic models and present an example of a diagnostic model which includes business processes. The last portion of this paper explains in detail how business processes, as an element of the diagnostic model, should be analyzed and evaluated during the process of organizational change.

2. DIAGNOSTIC MODELS IN ORGANIZATIONAL CHANGE MANAGEMENT

A great number of authors in the field of Organizational Change and Development have given their diagnostic organizational model. This applies, in particular, to the authors that not only deal with theory, but also with practice – the consultants in the field of Change Management. It all began with Leavitt, who claimed that most attempts of organizational change fail because of their limited scope. He was against the practice of partial conducting of changes – both in technology and in human relations processes, as it was then the case. In order to show the necessity of a comprehensive approach to organizational change, he created a model where he presented the organization as the object of change, which brings the structural and the human component of the organization into balance.

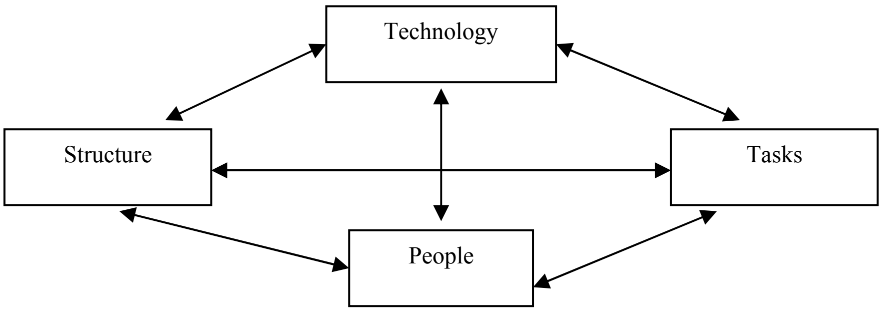

Figure 2. Leavitt's diagnostic organizational model

Source: Leavitt (1965).

This diagnostic model is in the same line as the model created by the famous consultant Weisbord, better known as the Six Box Model (Weisbord, 1978). This model, as the name itself implies, points out the significance of six organizational components that should be included into the diagnosis: 1. Purpose: which line of business are we in? 2. Structure: how did we divide the work? 3. Relations: how do we manage conflicts between people? 4. Leadership: does someone keep the six boxes in balance? 5. Auxiliary mechanisms: do we have adequate coordination technologies? 6. Rewards: do we adequately reward the completion of all the necessary tasks? As it can be noticed, this model also balances the importance of formal and informal organizational elements.

The successive important diagnostic model is known as model 7S, and was created by Peters and Waterman, who are the authors of a once very popular and influential book *In Search of Excellence* (Waterman et al., 1980). It was developed as a consequence of the authors' wish to point out the need to treat an organization as a complex system comprised of "hard", or formal, and of "soft", or informal, elements, but it should also be noted that this model is more developed than Leavitt's. Organizational components which, according to the authors, should be included in the diagnosis while organizational change takes place are the following: 1. **S**trategy; 2. **S**tructure; 3. **S**ystems; 4. **S**taff; 5. **S**tyle; 6. **S**hared Values; 7. **S**kills.

Porras and Robertson (1987) have given an outstanding synthesis of all the diagnostic models in Organizational Development. In their view, most models include the following elements into organizational diagnosis: 1. Environment: including market, technological, social; 2. Purpose (mission): organization and its strategy; 3. Organizational arrangements: organizational structure, systems, procedures, policies; 4. Social relations: human relations, culture, informal communication; 5. Technology; 6. Physical conditions: location, floor plan, working conditions; 7. Results: productivity, profit, sales. The following diagnostic model is the most complex of all that have been shown here and it is also the most comprehensive one. It seems that its complexity is so huge that it makes it impossible to practically use this model for managing the organizational change. Still, this is a very interesting model since, besides balancing of the hard and the soft organizational elements; it also includes organizational differentiation on three levels: organizational, group and individual.

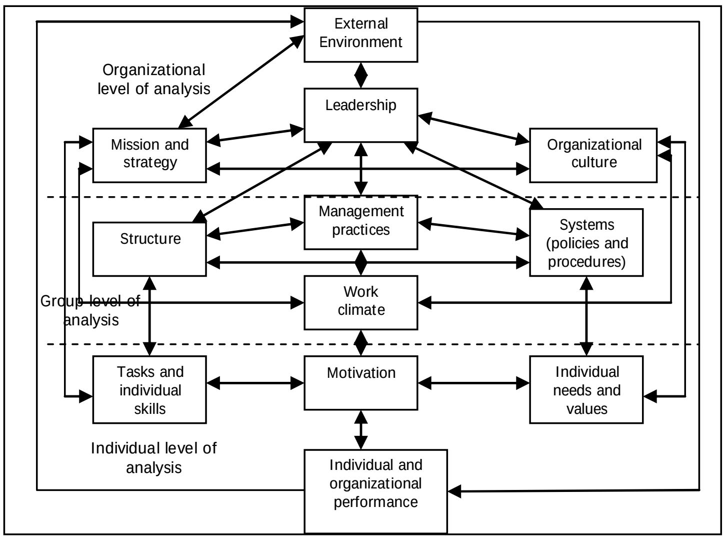

Figure 3. Burke – Litwin diagnostic model

Source: Burke W. W., Litwin G. H. (2008).

Very influential authors in the filed of Organizational Change Management are Nadler and Tushman, who represent a great professor-consultant partnership, and who gave their own model for organizational diagnosis (Nadler & Tushman, 1995). These two authors also balance the formal and informal static organizational components. They also treat the organization as an open system, and include environment and strategy in their diagnostic model.

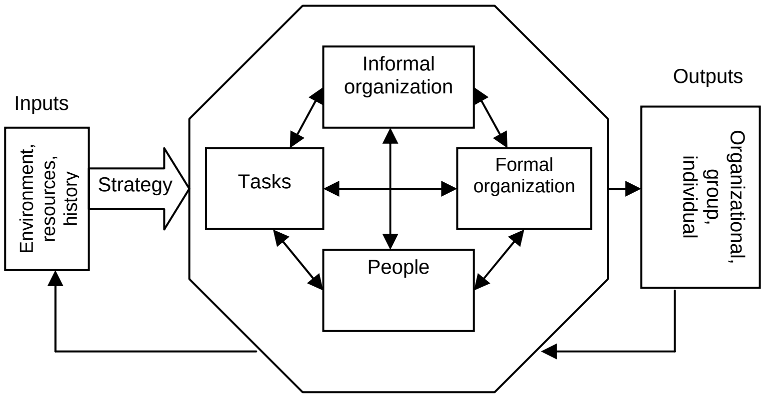

Figure 4. Nadler & Tushman – diagnostic model

Source: Nadler & Tushman (1995).

By summarizing all of the above described diagnostic models (Table 1), it may be concluded that they contain more similarities than differences.

Table 1 shows the presence of a number of common components of the illustrated diagnostic models: mission, strategy, organizational structure, systems, organizational culture, people and their capabilities. However, it is highly noticeable that none of the diagnostic models contain business processes as one of the four components of an organization, provided that the organization is differentiated according to its two key dimensions: formal – informal and static – dynamic. The three remaining organizational components, formal static (structure, systems), informal static (culture, groups), and informal dynamic (leadership, motivation, conflict management) are present in a number of diagnostic models. Hence, we find it necessary to enrich the diagnostic models, in both research and in practice, with business processes as an organizational component that is analyzed, evaluated and improved. In that way, diagnostic models will become complete and all the components, or dimensions, of the organization will be included.

Table 1. Summary of the diagnostic models

	Leavitt (1965)	Weisbord (1978)	Waterman & Peters (1980)	Porras & Robertson (1987)	Burke& Litwin (1992)	Nadler & Tushman (1995)
Environment				X	X	X
Purpose, mission		X	X	X	X	
Strategy			X		X	X
Structure	X	X	X	X	X	X
Technology	X			X		
Systems		X	X	X	X	X
Tasks	X				X	X
Motivation					X	
Culture (values)			X		X	
Atmosphere					X	
Leadership style		X	X		X	
People: capabilities, needs	X		X		X	X
Human relations: conflicts, communication		X		X		X
Physical conditions				X		
Performance				X	X	X
Business processes						

In order to include business processes in organizational diagnosis, it is necessary to complete two tasks. The first one is relatively simple and consists of including the business processes into the diagnostic model together with other organizational components. It can be done in a relatively simple way because the relations between business processes and other organizational components used so far in diagnostic models are clear. One of the possible ways of including business processes into the diagnostic model, but certainly not the only and the best one, is shown in Figure 5. This diagnostic model contains basic organizational components that, more or less, appear in all other diagnostic models: environment, mission, strategy, structure, systems, culture, etc. In this model, an organization consists of four basic components – two static and dynamic, and two formal and informal components. Static components are organizational design (formal component) and organizational behavior (informal component). Dynamic components are business processes (formal component) and interpersonal processes (informal component). Organizational design and organizational behavior are the framework within which business and interpersonal processes that lead to performance take place. The organization, with all its components, emerges from the mission, vision, goals and corporate strategy that create a balance between the requirements of the environment and company resources.

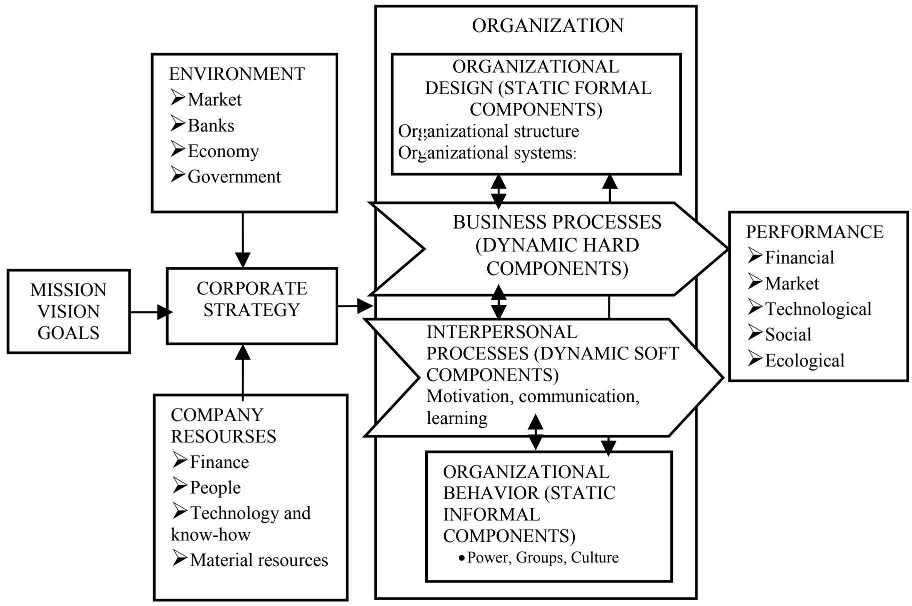

Figure 5. Diagnostic model of an organization (including business processes)

The other task that needs to be completed, in order for business processes to be really incorporated in the process of organizational diagnosis and organizational change, is showing how business processes are identified, classified, analyzed, evaluated and improved.

3. BUSINESS PROCESSES AS A PART OF ORGANIZATIONAL DIAGNOSIS

In order for business processes to be included into the organizational change diagnosis and management, it is necessary to first define, identify, and classify the business processes.

3.1. Defining, Identifying and Classification of Business Processes

Business processes are a set of interrelated activities, initiated by a certain event, which achieves a specific output for the consumer (Oakland, 1995). This definition contains several key guidelines for business process understanding.

The processes achieve a certain *result*, or *output*. Therefore, in order for a set of activities to be treated as a process, it must have a clearly defined result. Each business process has its *user*, or *consumer*. It is important to notice that a user, or consumer, of a business process may be internal as well as external. Besides the end result, or output, every business process also has its *beginning*. It is always caused by some event. Business processes consist of a range of *activities*, *tasks*, *steps* and *phases*. Activity is the basic component of a process. It represents a unique, completed working task conducted by one person, a team, or a machine. Business processes represent a set of *interrelated activities*. Therefore, activities that make the process cannot be just any activities. They are interconnected into a specific flow, which is usually represented by a flow chart. Activities follow one another in a logical way.

The first step of business processes diagnosis is to identify and classify business processes in a company. In order to analyze the business processes and their performance, we must first identify and group them into certain categories. Hence, business processes must first be recognized in a specific organization and classified into certain categories. Michael Porter was the first author who provided a conceptual framework for identification and classification of business processes, and practically conceived the idea of business processes with his value chain concept (Porter, 1985).

Porter distinguished between primary processes and support processes. Primary processes are those that directly transform inputs into outputs (procurement, logistic, production, sale), while support processes are those that provide support to primary processes (finance, information technology, research and development). John Galbraith gave a somewhat different picture of the value chain (Galbraith, 1998). He divided all processes into three groups. Processes at the back of the value chain include all the processes that are related to production, technology, product development, etc. Processes at the front of the value chain are those that have a direct user – external consumer. Processes in the middle of the value chain are the so-called infrastructure processes that have internal users, and that serve as a support to processes at the back and at the front of the value chain. As we can see, Galbraith has actually divided Porter's primary processes into the ones at the front and the ones at the back of the value chain, while setting the supporting processes in between them.

Each company is in some way specific, and that is reflected in business processes, as well. Hence, every company will have its own value chain and specific business processes; thus, the analysis and improvement of those processes can enhance the company's performance.

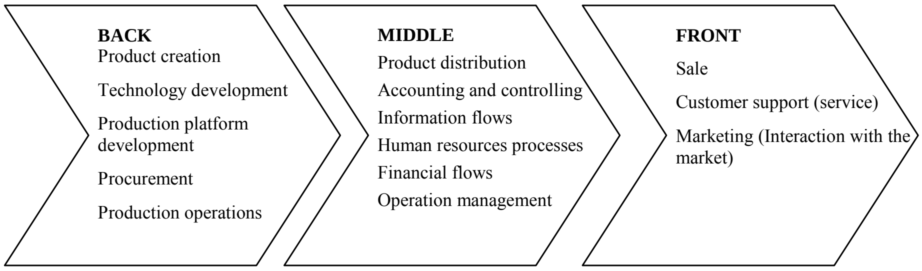

Figure 6. Business processes classification

Adapted from: Galbraith (1998).

The first step in process analysis is to clearly identify and determine the business processes in a specific organization, as well as to classify those processes, i.e. to group them into back, middle and front parts of the value chain, or into primary and supporting processes. For each process, a name has to be established that will clearly indicate the basic outputs of the process, such as, for example, process of sale, or product design process, or employee training process.

The inclusion of business processes into organizational diagnosis will be illustrated by the example of a middle-sized retail company. The first step, the identification and classification of business processes in this case, has given the result shown in Figure 7.

The identification and classification of business processes, as the first step of the process of their diagnosis and improvement, should be conducted by a team of experts that will include the CEO, division or department managers, as well as some experts from different divisions or departments. The CEO should manage the work of the expert team. Also, it proved very useful to hire a consultant, who is an expert in process analysis, to serve as a mediator and facilitator in the work of the expert team. The consultant may be an external and independent expert, but can also be an internal expert if the company has an expert in process analysis. In our example, the leading expert team of the company consisted of: CEO, Sales and Marketing Manager, Finance and Accounting Manager, Procurement Manager, Selection and Recruitment Specialist, one of the Product Managers, one of the Store Managers, Procurement Specialist, Controlling Specialist, and one external consultant.

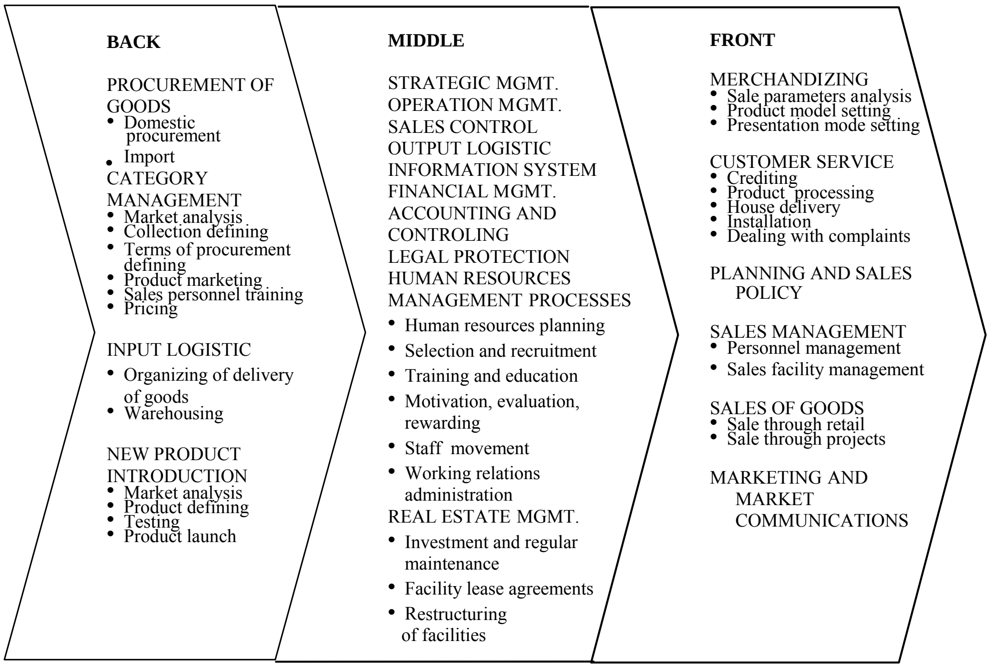

Figure 7. Business processes classification according to Galbraith's value chain model

The work of the leading expert team should be conducted through workshops. Workshops are open and intensive, but also structured and planned discussions for an open exchange of opinions, evaluations, proposals and suggestions, whereby, through joint effort, the identification, classification and evaluation of business processes take place. Workshops are held outside of the company head office in order to provide a better focus of participants. They usually last three to seven hours and should be held as often as necessary in order to achieve the tasks of organizational diagnosis.

3.2. Analysis and Evaluation of Business Processes

Once business processes are identified and classified, it must be determined by which criteria they will be analyzed and evaluated. What do we need to know about a business process in order to be able, from an organizational performance improvement standpoint, to evaluate it and, in accordance with this evaluation, determine the necessary change within the process? According to our diagnostic model, for each business process, the following parameters should be identified and analyzed: the owner and the participants in the process, criteria for process structuring, key performance indicators of the process, organizational competence for conducting the process, contribution of the process to the value added for the consumer, weaknesses and problems in the process, directions for the business process improvement, and priorities for business process improvement.

The owner and the participants in the process. This is a position in an organization that to the largest extent controls the functioning of the process and influences its result the most. Logically, in most cases, this is the manager of the organizational unit where most activities of the process are taking place, although it is not necessarily so. It may be the case that the real influence on a business process comes from an organizational position which is not scheduled by organizational structure. There are many reasons for this to happen and it is very important to identify the person who has the real influence, and not the formal authority over the process, as the owner of the process. In the company illustrated in our example, the CEO is listed as the owner of the candidate selection and recruitment process, and not the Human Resources Manager, since the CEO is actually the one who controls the most part of the selection process. Besides the owner of the process, other participants in the process also need to be identified. These are organizational positions, or units, that perform activities that make the process content, and thus affect its outputs. In a company illustrated in the example above, the participant in the selection process is the position of the Selection and Recruitment Specialist, conducted by a single person.

Criteria for process structuring. Business process structuring indicates the way in which its activities are arranged within the structure, i.e. the principle according to which the positions and units that perform these activities are structured, or grouped within the structure. Each business process may be structured in three ways. Leverage is a structuring principle according to which a business process is organized in such a way that all its activities occur in one place in the organization, i.e. on one organizational position or in one organizational unit. By the incorporated completion of all business process activities, the economy of scale and the most rational usage of company resources are achieved. Focus is a process structuring principle where the process activities are conducted separately for each product or each customer (user). This means that all or individual activities of the process are conducted parallelly on several organizational positions, or in several organizational units whereby each unit performs process activities for a specific product or a specific user. This contributes to achieving a better adaptation of the process to the particularities of a product, or a user, and thus increases the value that the process creates for the user. The price that must be paid in order for that to be achieved is that the economy of scale cannot be used. Finally, a process may also be structured by a combination of focus and leverage, whereby a part of the process is structured according to the leverage principle, and the other part according to the focus principle. In our example, the process of product model setting is structured according to the focus principle because it is performed separately for each collection of goods by the product range manager. On the other hand, the import process is structured according to the leverage principle because it is performed uniquely for all collections of the imported floor finishing.

Key performance indicators (KPIs). For each business process, a parameter according to which it is possible to measure its performance must be identified. It must be a measure that can be quantified in order for us to be able to monitor and control the movement of process performance. It is not always easy to identify process performance indicators, especially when they must be quantifiable. It is easy, for example, to find performance indicators for the retail process in our example: amount of sale, conversion rate, price difference, average invoice value, customer satisfaction index, professional buyers' evaluation, etc. It is much more difficult to find the parameter to evaluate the successfulness of the candidate selection process or staff education and training process. In that case, evaluations given on subjective ground are often used, but they are still quantifiable: evaluations of the work performance of a new employee may be the indicator of successfulness of the candidate selection process, and professional buyers' evaluation may be the indicator of successfulness of retail staff training and education. Performance indicators are, above all, necessary for the monitoring and evaluation of the successfulness of an organization in process improvement.

Competence for performing the process. For each business process, it is useful to evaluate to what extent the organization is competent to perform it. Simply put, in business processes diagnosis, each organization should, for each process separately, ask the following question: Do we know how to do it, or not? For the purpose of business processes analysis, it is useful to evaluate the competence for each process and thus provide some quantification. The evaluation score can range from 1 to 5, or be expressed as –1, 0, or +1, where mark –1 is given if the company has estimated that its competence is lower in comparison with the competence of its rivals or below industry average, mark 0 is given if its competence is on the same level as the competence of its rivals or equal to industry average, and mark +1 is given if it is above the competence of its rivals or above industry average. Once the competence for each process is evaluated, it becomes clear which processes need to be worked on and in what area efforts need to be invested to improve the competitive position of the company.

Contribution of the process to the value added for the consumer (buyer). Not all the processes are equally important for the success of the company because not all of them participate equally in creating the value for the end consumer or buyer. By evaluating the contribution that a process gives to creating value added for the consumer, business processes are actually being classified according to their importance, and those that are critical for the success of the company are being identified. The priorities regarding improvement of the process are, thereby, being established – of course, the improvement of the competence in those processes that contribute the most to the creating of the value for the consumer is something that should first be worked on. In our example, if the contribution of the process of product model setting is scored by mark 9 on a scale from 1 to 10, this means that this process is more important to the success of the company than the home delivery process, whose contribution to the value added is scored by mark 7.

Shortcomings and problems in functioning of the process. This is the most important step in business process diagnosis because it needs to show why the business process performance are not optimal. In this part of the diagnosis, all barriers, shortcomings or problems that interfere with business process functioning need to be identified. These problems or barriers can be internal or external in nature. The organization should focus on the internally caused problems and thus work on solving them. The nature of the problems in processes may be very different. This can be reflected in the following: lack of resources needed for business processes performing (e.g., lack of personal computers, trucks, warehouse space), inadequate information system (inadequate software for controlling), lack of competence of managers or employees (poor work performance of sales personnel in retail shops), inadequate human resources and human resources management (insufficient number of employees, inadequate training and education, poor motivation and dissatisfaction of employees, poor performance appraisal, inadequate reward system), poor organization (low process formalization, inadequate unit structuring that raises barriers in process functioning, inadequate or unnecessarily high specialization in work tasks, inadequate distribution of decision-making authority within the process, poor coordination of participants in the process), and process problems (non-transparency of the process, poor discipline of participants in handling of activities within the business process). It is very important to identify all the weaknesses and barriers in the functioning of business processes, regardless of the fact that they will all be resolved.

Directions for business process improvement. The natural ending of business process diagnosis is identifying the basic directions for the improvement of its performance. If the previous step in diagnosis has been completed in a good quality manner, this step should be very simple. It is necessary only to establish the way in which the shortcomings and barriers in business process functioning, identified in the previous step, will be solved or neutralized. It is certainly necessary for the chosen directions for processes improvement to correspond to the most important shortcomings and problems identified in the previous step. If it is estimated that the shortcoming of dealing with the customer complaints process is reflected in the fact that there is no owner of the process and that the process is not itself structured, then the direction of improvement of that process is process structuring and identifying of the process owner. If the weakness of the retail personnel management process is reflected in the fact that the retail managers have the wrong attitude, that it is the job of the human resources manager and not their job, then the direction of improvement of that process is changing of retail managers' attitude through training and coaching them. In this part of the business process analysis, it is necessary to define the basic changes that need to be established in order to improve process functioning, without going into details regarding what the subject of making the action plan will be for business process improvement in later stages of organizational change management. If, for example, a low formalization of the market analysis process is identified as its main shortcoming, then the main direction of the improvement of that process is its formalization through establishing the market analysis procedures and methodology. Who (when and how) will formalize this market analysis process would be defined in the next phase of the improvement of that process.

Establishing priorities for business process improvement. Finally, for each process, it is necessary to establish priorities in the improvement plan. Since company resources are always limited, and this above all concerns time and top management's attention, it is almost never possible to engage in the improvement of all processes at once. In reality, it is necessary to choose processes that will be improved before all others. The criteria for setting the priorities would be the contribution of the process to creating value added for the consumer (the significance of the process), as well as the difference between the existing and the target competences within the business process functioning (difficulty of the process). Therefore, the improvement of the most significant and most difficult processes will be dealt with first, i.e. those processes that are of the greatest importance for creating new value added for the consumer, as well as those processes where falling behind in competence in comparison to the competition is most obvious. Filling in the following matrix may be helpful when it comes to decision-making regarding the priorities of process improvement.

Differences in competencies (difficulty of the process)		
High	PRIORITY PROCESSES	PROBLEMATIC PROCESSES
Low	„DO NOTHING“ PROCESSES	PROCESSES TO BE MONITORED
	Low	High

Creating value added (significance of process)

Figure 8. Matrix for establishing priorities in business processes improvement

The result of the business process diagnosis may be summarized in a table that will display business processes in rows and all the described parameters of those processes in columns.

Business process	Owner and participants in the process	Criteria for structuring	Key performance indicators	Competence in the process	Contribution to creating value	Shortcomings and problems in the process	Direction for process improvement	Priority
Sale								
Procurement								
Logistic								

Figure 9. Result of business process diagnosis

It is obvious that the business process analysis in organizational diagnosis presented here by no means excludes the need for the analysis of other components of the organization also included in its diagnostic model. Besides the business process analysis, it is necessary to perform the analysis and the evaluation of strategy, environment, resources, organizational structure, system, as well as organizational behavior components. However, since the diagnosis of other parts of the diagnostic model is beyond the scope of this paper, it will not be presented here.

4. ELABORATION OF ACTION PLANS FOR PROCESS IMPROVEMENT

Even though it is not a part of the organizational diagnosis, elaboration of the action plan will be presented in short here because it is a natural step further toward effective organizational change management. Once drawbacks and barriers to efficient improvement of all business processes are identified, it is necessary to draft a plan of changes for each individual process. Since the main directions of business processes improvement were identified in the preceding steps, these plans need to set in concrete detail the necessary changes in each individual process. As opposed to the previous step which was performed by the leading expert team for all business processes, this step has to be taken for each individual process separately and by a separate work team. The team leader should certainly be the person/position marked as the owner of the process undergoing enhancement, and the team should be made up of his closest associates since they are most likely to be responsible for the implementation of the action plan. Some experts from the organizational unit in which the process is taking place can also participate in the team.

An action plan consists of two components. The main information on the business process elaborated in the previous step of the analysis is reiterated in the first component. The name of the business process is written in the action plan and its main drawbacks are summed up again as well as the main directions for its improvement. Further on, the name of the process owner who is most responsible for its improvement is specified, as well as the key performance indicators for measuring process improvement. Finally, the priorities of process enhancement are established. Since it is not realistic to expect an organization to have the capacity to implement improvement plans of all processes at the same time, a priority in process enhancement must be established. The most logical way to mark priorities is by applying the A, B, C system.

The most important part of the action plan is the concrete measures and activities to be undertaken for the enhancement of the business process and its performance. These activities should only specify/set in concrete terms the established directions for business process improvement to prevent them “popping out” of the process from the general improvement plan already developed by the leading expert team. For example, if inefficiency of the sales staff is identified as the basic drawback of the sales process, and training of the sales staff as the direction for improvement of that process, then the action plan of sales process enhancement must specify who (where, when and how) will educate and train the sales staff.

The process approach assumes planning any kind of changes for the purpose of process enhancement. Hence, the activities in the business process improvement must not be limited to redesigning organizational structure only, but can and often do comprise: changes in systems (system of wages, information system, planning system), procedures (goods ordering procedures, customer complaints resolution procedures, procedure for damage reports of the premises), resources (filling job positions, refurbishment of premises), strategies and policies (price policy, purchasing policy).

A measure or indicator for evaluating the results of each business process was identified in the previous step. The action plan for business process enhancement needs to identify the current level of the process key performance indicator, as well as the level of that indicator desired to be achieved once the change in activities is realized.

This part of the action plan needs to define not only the current level of sales, but also the level of sales planned to be achieved as a result of the activities to be undertaken in respect of sales staff training. Identification of the current and target level performance indicators represents the basis for tracking the success of the process of organizational improvement. It is also necessary to anticipate which individuals or organizational units will directly engage in the realization of the already identified business process enhancement activities.

Hence, if education and training of sales staff is identified as an activity towards sales process enhancement, then it is probably the training specialist who should be the leader and the person responsible for this activity. Like any plan, an action plan for business process enhancement needs to envisage a time dimension for its realization. It is necessary to envisage a realization due date for the performance of each activity or set a time for the beginning and completion of the realization of each activity. This represents another element for the subsequent controlling of the effects of the business process enhancement. Finally, the action plan of business process enhancement can be summarized by the following figure.

BUSINESS PROCESS ______________________

Business process	
Drawbacks	
Directions of improvement	
Key performance indicators	
Process owner	
Priority	

Activity	**Responsible position or position in charge**	**Realizatio n due date**	**Performance indicators**	
			Current	**Target**

Figure 10. Process improvement action plan

Finally, it should be noted that organizational diagnosis and action planning are just the first phase within the process of organizational change management. Further steps would include an implementation of the action plan for business processes improvement as well as monitoring and control of business processes improvement. However, detailed presentation and description of the subsequent phases of the organizational change management process are beyond the scope of this paper.

5. CONCLUSIONS AND LIMITATIONS

The previous discussion resulted in several conclusions important for understanding and managing the organizational change process. First, it is shown that the existing organizational diagnostic models are incomplete because they do not include dynamic formal organizational components, i.e. business processes. In order to be complete and comprehensive, diagnostic models should include business processes as well.

Second, including business processes into diagnostic models involves not only the fact that business processes need to be incorporated into organizational diagnostic models while conducting organizational changes, but also that business processes are analyzed according to all their significant parameters. In order for business processes to be included into organizational diagnosis, their following parameters must be explored, analyzed and evaluated: the owner and the participants in the process, organizational competence for performing of the process, contribution of the process to the value added, key performance indicators, shortcomings and problems of the business process, basic directions of change of the business process, and business process priority.

This paper has certain limitations that need to be considered when its conclusions and scope are being evaluated. First, the paper is intentionally focused exclusively on one element of the organizational diagnostic model, i.e. business processes. Due to the limited space, the analysis of other elements of the organizational diagnostic model could not be included, such as organizational structure, strategic systems, culture, etc. For the same reason, the interaction and interconnectedness of business processes with other organizational components in its diagnostic model could not be analyzed in detail. This leaves a great number of questions regarding organizational diagnosis unanswered, and it significantly limits the value of the conclusions made regarding the significance and diagnostic process of business processes. Analysis of the interaction of business processes and other diagnostic model components is a very important subject for further research.

Second, the paper is intentionally limited only to the diagnosis as the first step in the organizational change process, while other phases of the organizational change process remain beyond the scope of this paper. Planning and implementation of business process change is a very important issue, both from the academic and practical point of view. Unfortunately, these issues also could not be discussed in detail because it would extend this work outside of the standard scope and probably dilute the basic research problem. The examination of further flow of the organizational change process based on business processes remains an important subject for further research.

Third, a significant limitation of this paper is the absence of empirical research that would test the conclusions presented in this work. The case study used in this paper is more an example for the illustration of certain conclusions than an empirical research.

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POSLOVNI PROCESI U DIJAGNOSTICI ORGANIZACIJE

Sažetak

Ovaj rad ukazuje na razloge i načine nužne za uključivanje poslovnih procesa u dijagnostiku organizacije, i to kao prvi korak u procesu upravljanja organizacijskim promjenama. U radu se prvo ukazuje na nužnost uključivanja poslovnih procesa u dijagnostičke modele, korištene tijekom provedbe organizacijskih promjena. Nakon toga se definiraju komponente i karakteristike poslovnih procesa koje treba uključiti u dijagnozu organizacije, kao i načine na koji se procesi analiziraju i evaluiraju. Na kraju se prezentiraju metode za razvoj akcijskog plana procesnog unapređenja organizacije.