

MER Model of Integral Management: its Improvement with Enterprises' Key Success Factors

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Abstract: The beginnings of the creation of the MER Model of Integral Management date back to the years 1992 and 1993. A year ago the decision was made to start thoroughly renewing the MER Model due to changes in economic and other social conditions in Slovenia and in many other post socialist countries. In this "new" model many changes have been introduced, especially some new success factors have been added. In this contribution the renewed MER Model is presented with special focus on the success factors.

Keywords: management, integral management, MER Model of integral management, key success factors

1 Purpose of the Contribution

The beginnings of the creation of the MER Model of Integral Management (further in the text: the MER Model) date back to the year 1992 and 1993 [1, 2, 3]. In the last twenty years all activities within the frame of the MER program (research and with the research connected symposiums and publications) have been directed towards enterprises and similar institutions in different environments as well as in diverse life, developmental and business situations. A great part of these activities have been dealing with small and medium-sized enterprises, last years also with family enterprises. Scientists (researchers as well

authors of published papers) from more than fifty (mainly university) institutions have been co-operating in the MER program all these years. Especially intensive work on the MER Model was going on during the transition period before the entry of Slovenia and other post socialist countries in the European Union. The MER Model has been published several times with special focus on the particularities of the transition period [4, 5, 6, 7, 8]; it was also represented at the MEB conferences [9, 10, 11, 12, 13, 14, 15, 16].

A year ago the decision was made to start thoroughly renewing the MER Model since many changes of conditions in the economic and other social environment in Slovenia and in many other posts socialist countries have been taking place. The renewed MER Model was published at the end of the year 2010 in the book entitled "Integral Management – MER Model" [17]. In this "new" model many changes were introduced, especially some new success factors were added. In this contribution the renewed MER Model is presented with special focus on the success factors. The description of the MER Model is based on the cited book "Integral Management – MER Model", author prof. dr. Belak Janko, published by the Publishing House MER – MER Evrocenter in the year 2010.

2 Basic Features of the Renewed MER Model of Integral Management

The MER Model is based on the multi dimensional integration of management with the enterprise and its environment taking into consideration the enterprise's basic purpose of surviving and developing. Basic features of the MER Model are presented in Figure 1 and discussed in the continuation of the paper.

The MER Model is based on rich scientific foundation and research cognitions on management of which are of special and crucial importance the following ones:

- cognitions on the differentiation between an enterprise and management as an object and as a subject of the managerial activity, and co-dependencies between management and an enterprise;
- understanding the characteristics of the enterprise's environments (conditions and changes of conditions, needs and expectations), their influences on an enterprise as well as on the management of an enterprise;
- understanding the requisite compatibility of opportunities identified in the environment with the existent and potential capabilities of an enterprise;

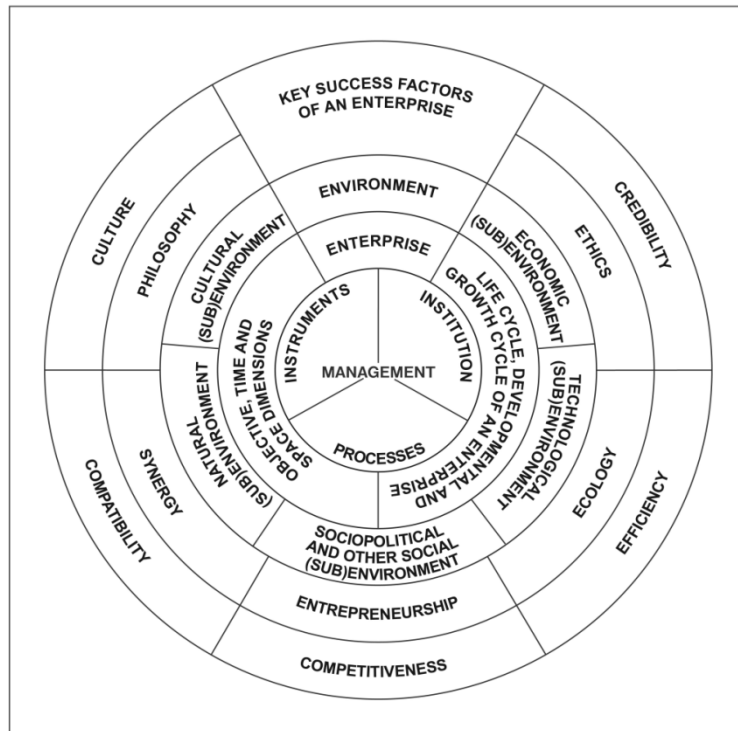


Figure 1
The MER Model of Integral Management

- process comprehension of an enterprise, understanding the diversity of enterprises and their influences on the necessary adjustments of management;
- understanding the enterprise's life cycle and developmental cycle, special situations and goals of enterprises, and their influences on particularities of management;
- cognitions on entrepreneurial, efficient, (in profit oriented enterprises also profitable) as well as ethical and credible creation of positive synergy effects for increasing competitiveness, effectiveness and value of an enterprise.

The description of the MER Model can be summarized in the following three major fields:

1. Integral management: dimensions and special managements (presented in the figure 1 by the first circle).
2. An enterprise and environment (the second and the third circle in the figure 1).
3. Success factors of an enterprise (the fourth and the fifth circle in the figure 1).

3 Management

Three dimensions of management are incorporated into the MER Model and that are: management as a process, management as an institution and management as the system of instruments. From the system point of view the management is understood in these three dimensions as a partial system and not as a subsystem of an enterprise in which it exists. Management processes, instruments and institutions are horizontal and vertical integrated in consistent functioning wholeness. Process, instrumental and institutional integration of management is at the same time the fundamental condition for bringing into force all other integration factors.

3.1 Process Dimension

The process dimension of the MER Model is based on the integration of:

- hierarchical levels of the management process (political level, strategic management level and operational management level),
- basic functions of the management process (planning, organizing, directing, controlling) and
- process functions (preparation of information, decision making, undertaking measures).

Hierarchical levels of the management process. The process dimension of the MER Model is based on understanding the hierarchy of the management process. What is typical of management activities is that the global and developmental definitions of an enterprise are followed by the more detailed, operational definitions. There is hierarchical order in:

- defining a vision and a policy of an enterprise at the highest, political level; the enterprise's policy consists of a mission, purposes and basic goals;
- identifying strategic opportunities and developing strategies for implementing the policy at the middle, strategic level;
- planning and allocating resources and operational tasks at the lowest, tactical and operational levels.

Processes at different hierarchical levels, described above, need to be integrated into one holistic and complex process. Therefore, in the MER Model no special attention is given to distinguishing between governance and management processes because of the need for linking and interweaving processes at all hierarchical levels. The need for integration of governance and management processes into one complex and holistic process is stressed also in other models of integral management.

Basic functions: planning, organizing, directing and controlling. The management process in the MER Model begins with planning which is followed by organizing

and directing of implementation. Control is not the last step in this sequence. It is needed many times in between and together with planning, organizing, directing of implementation and implementation itself. Planning, organizing, directing and controlling are present at all hierarchical levels of the management process.

Process functions: preparatory information activities, decision making and measures undertaking. The essence of management processes represent decision making and measures undertaking processes. Both, decision making and measures undertaking processes are needed in all stages and at all levels of the management process. Decisions are based on information. The preparation of the needed data and information is based on collecting, processing, storing and communicating data and information. Information processes, like decision making processes, are presented in all basic functions and at all levels of the management process. The purpose of the management processes is achieved by the process of undertaking measures. The realization of measures is always done at the level which is hierarchical lower from the level at which the decision was made. Political decisions are realized by strategies, strategic decisions by structuring of resources, decisions on structuring of resources by making decisions on the operational level and by the realization in the basic processes of an enterprise.

3.2 Instrumental Dimension

Management as an instrumental system consists of values, business and management guiding principles, styles, techniques and management methods. Values as well as business and management guiding principles globally define relationships between an enterprise, its environment and its employees. The chosen management styles and techniques are based on them. Among different management styles two extremes can be distinguished, that are authoritarian and participative management style, and their combinations. Among different management techniques we distinguish the following ones: management by objectives, management by exception, management by delegation and management by system. Regarding the management methods, during the process of developing the MER Model the priority has been given to the business planning methods, especially the methods of enterprise's start-up and developmental planning.

3.3 Institutional Dimension

The institutional dimension of the MER Model represents those people who are involved in the governance and management of an enterprise (i.e. governance and management structures). Boundaries between the governance and management structure have been disappearing more and more by the development of the integral management models. Research shows the growing need for integration of both structures. Among those involved in the governance and management

processes hierarchically can be distinguished between: owners making decisions on the policy of an enterprise, top management making decisions on strategies, middle management making decisions on the optimal allocation of resources (tactics) and first line management making decisions on the distribution of operational tasks.

Definition of the involved people carrying out the management functions (i.e. institutional dimension) is done regarding their responsibilities in decision making processes. Management processes consist besides of decision making also of planning, organizing, directing and controlling activities. People involved in these activities are experts within the enterprise, very often also managers or even those from governance structure, if they possess the needed expert knowledge.

In the MER Model special attention is given to managers' personal characteristics, competencies, authority and motivation as well as to organizational models of management.

4 Enterprise and Environment

An enterprise, understood as the narrow environment in which (and for which) the management is active, integrates "its own" management with the characteristics of its own reality (activity, processes, resources, organization and structures) in certain place at certain time. This integration takes place in an enterprise which is in one of different phases of life, growth and developmental cycle; in the majority of cases an enterprise is at the same time in more than one phase of the mentioned cycles. From the dynamic point of view an enterprise is constantly changing and therefore moving from one phase to another. Also in this case the MER Model provides the necessary integration of management with the enterprise and its environment.

Integration of management with philosophy, culture and ethics as well as with entrepreneurship and ecology could not be isolated only to certain part of an enterprise and/or its environment. This integration of an enterprise with its broader environment (economic, cultural, natural, technological and sociopolitical sub-environments), which is implemented in operational, market and cognitive spheres of the enterprise's functioning, is manifested as the enterprise's external competence to align the enterprise's potential outputs (i. e. services, products) with the needs and expectations of the environment; this alignment should be done from the objective, time and space point of view. The integration of enterprise's internal factors (material as well non-material) is manifested as internal competence, also the capability of an enterprise, for efficient functioning and achieving synergy in all areas and by these satisfying needs and expectations of environment better than competitors.

The *objective dimension* of the MER model is expressed by its applicability for all types of enterprises (in the broader sense of the term) regardless their activity, size, legal form, etc. The MER model is designed for enterprises in different life cycle phases, developmental and growth stages, of course with certain modifications. These lead to special managements (e.g.: start-up management, developmental management, management of an enterprise in bankruptcy, etc.). Such special managements are not isolated parts but partial systems of the integral management. The MER Model is designed also for enterprises which find themselves in special situations or follow different sets of goals. Typical cases are crisis management, total quality management and innovation management, which also represent partial systems of the integral management. From the *time perspective*, the MER Model is designed to be used in all time dimensions (for longer as well as shorter time periods); with planning for the future and with controlling and intervention measures for the present time (in all cases taking into consideration the cognitions from the past). Regarding the *space dimension* the MER Model enables functioning of management in all three places (market, operational and cognitive) of an enterprise – that means in all dimension of enterprise's environment. In MER solutions special attention is devoted to small and medium-sized enterprises (also family ones), enterprises in crisis and management particularities of such enterprises as well as proactive crisis management, cooperative management, change management and management of business opportunities.

5 Key Success Factors of an Enterprise

Key success factors (as well as success itself) are of crucial, strategic importance for all enterprises. Therefore, enterprises should devote a great deal of their attention to these factors. They should identify them and permanently trying to improve them. Based on the present scientific cognitions and knowledge the following success factors were incorporated into the MER Model: internal and external compatibility of an enterprise, credibility, efficiency, competitiveness, entrepreneurship, synergy, culture, philosophy, ethics and ecology.

5.1 Culture, Philosophy, Ethics and Credibility

Enterprise's culture has been defined as encompassing values, rules, beliefs and assumptions that are shared by organizational members and used in handling and behaviour of especially internal enterprise's stakeholders. Developmental improvement of an enterprise is not possible without the simultaneous change of its culture; the changing of culture (in the head of enterprise's stakeholders!) is usually very demanding and long-lasting process. The culture of the broader society as well as the culture of an enterprise is very complex. The circle of

enterprise's culture on the level of science, religion, philosophy, art and technique is considered within the MER Model; this circle starts and ends in the environment. The culture based on the contemporary scientific findings, the universal credible (and also responsible) philosophy, the comprehensive artistic way of expression, the friendly techniques of the enterprise's functioning and the enterprise's credible handling of all stakeholders as well as credible behaviour of each stakeholder (in the name and for account of the enterprise) to other stakeholders are incorporated into the MER Model. We are striving for such an ethics which results in the holistic credibility of an enterprise. An enterprise which is not credible cannot become (and stay) continuously successful. The realization of the enterprise's credibility is therefore not possible without ethical behaviour of all its stakeholders. There exist mutually relationship in implementation of ethics and credibility. The demand for credible behaviour of all enterprise's stakeholders (owners, managers and others) in all circumstances is also incorporated into the MER Model. The credibility has to be established and implemented mutually: from the side of an enterprise as an institution to every enterprise's stakeholder and from each stakeholder (in the name and for the account of the enterprise!) to all other stakeholders.

5.2 Entrepreneurship, Synergy and Ecology

Enterprises cannot be successful in long term without the people who possess the characteristics of entrepreneurs; also enterprises cannot be successful if individuals are entrepreneurial but the conditions in enterprises are not established to promote entrepreneurship or even hinder the entrepreneurial actions of employees. Creativity, intuition, imagination, visionariness, carefulness, courage, honesty, patience, diligence, personal motivation and preparedness to work, persistence, dynamics, initiative, risk-propensity and sense for change, judgmental competences, firmness, decision-making abilities and preparedness for pioneer work are the essence of entrepreneurship. Within the MER Model we argue that entrepreneurship in an enterprise is needed and is crucial for enterprise's success; therefore, the conditions have to be established in order to encourage entrepreneurial activities among enterprise's stakeholders, especially among enterprise's internal stakeholders.

Synergy and the creation of positive synergy effects are considered within the MER Model as the key success factors of every enterprise. The care for the creation of positive synergy effects is permanently present in all dimensions of the MER Model. We believe that an enterprise which achieves negative synergy effects cannot be successful; usually such enterprises decline and die very soon. If an enterprise consciously makes the decision which leads to zero or even negative synergy effects, such a decision must be based on well grounded reasons as well as the enterprise must know how long such situation will last and when the negative or zero effects will be replaced with the positive ones.

Regarding the ecology as one of the success factors within the MER Model we place in the center the enterprise's handling with the environment. In the MER Model we especially point out the requisite holistic ecological functioning and behavior of an enterprise. We argue that the environmental friendly (ecological) philosophy and enterprise's policy, strategies and operative functioning are needed. An enterprise should not consider its ecological efforts as a burden; it should see these efforts as an attempt to improve its competitive position and by this also its performance. An enterprise should strive to raise ecological awareness by its all stakeholders, also external ones. We encourage with the MER Model the credible, ecological directed behavior of enterprises all the time and everywhere.

5.3 Internal and External Compatibility of an Enterprise

The holistic compatibility of an enterprise with its environment is needed in order to be successful. We believe that internal and external compatibility of an enterprise in its vision and policy, in strategies and processes as well as in enterprise's structure is needed. It is necessary to achieve the alignment of previous mentioned with the identified expectations and needs of the environment as well as mutually within the enterprise itself, within the specific time, place, quantity and quality. An enterprise should achieve the compatibility of the environment (i.e. its expectations and needs) with all enterprise's processes, components and structures. The alignment is always the process of changing (either of an enterprise or the environment). The faster the enterprises are changing the more successful they become. With the MER Model we are bringing into force the active attitude of an enterprise toward changes and also call attention to the requisite dealing with changes as business opportunities for the enterprise; in this way we argue the need for introducing two special dimension of integral management, that are the proactive management of opportunities and change.

5.4 Efficiency and Competitiveness

Efficiency of an enterprise is an important success factor. Regarding the efficiency the demands for rationality, speed and cost optimization of realization of activities and processes are in the center of our attention. The main question here is how to work and how to conduct activities as well as the entire technical, technological and working processes. Efficiency of an enterprise is expressed by the way of carrying out all processes; that means not only by carrying out the basic processes but also the governance and management processes as well as the information processes. An enterprise should (besides constantly taking care of efficiency) also constantly checking whether or not its products (or services) still satisfy the needs of the buyers. This means that an enterprise should make the right things (products or services) in the right way. Efficiency in "doing the right things" is useful and necessary; in doing "the wrong things" the efficiency can even be harmful.

However, if an enterprise does the right things less efficient than other enterprises, it will very soon remain without the buyers. In such a case an enterprise will no longer be able to exist. In order to become more competitive an enterprise must recognize (and know) which characteristics of its offer are for the environment (i.e. buyers) of importance (and are also priority) and how to improve them in comparison to competitors, or how to develop new characteristics of its products and services; that means to develop such characteristics that competitors' products or service have not possessed yet. Many approaches of studying the ways of improving competitiveness have been established. Let us remind you on the MER's efforts of bringing into force the requisite holistic of process approach. The idea for establishing an enterprise should not be grounded on its outputs (i.e. enterprise's offer); an enterprise should be established based on the identification of the needs and expectation of the buyers, then by making the decision on the purposes, goals, business process and structure of such an enterprise that will be able to provide competitive products (or services) to the market. With the MER Model we are promoting the holistic credible behavior in the processes of improving the competitiveness of enterprises.

Conclusions

For the conclusion we would like to write a few words on the implementation of the MER Model in the economic and other social environment!

The MER Model has been verified several times during the process of its creation. Very often verifications of different parts of the MER Model were done in the praxis of participating enterprises or by presenting the MER Model at different scientific symposiums and conferences, at faculties and other schools by giving lectures. The MER Model (or its parts) has been introduced in many books and reviewed journals; the most comprehensive presentation of the MER Model is done in the two already cited books (i. e.: [6, 17]). The written contributions on the MER Model are open to the academic and professional discussion and judgment. The opinions, remarks and other responses received have been contributing significantly to improving the quality of the MER Model. Certain dimensions of the MER Model have already been implemented in some Slovenian companies. Numerous participants of trainings and other educational events have been using the acquired knowledge on the MER Model in solving business and management problems.

The knowledge on the MER Model of integral management is built in the study programs, especially in those at the Faculty of Economics and Business at the University of Maribor. The cognitions about the systematical incorporation of the MER Model in the study programs were presented at the 6th International Conference on Management, enterprise and benchmarking in Budapest in 2008 [16]. Three years later we are even more convinced that the use of the MER Model in the students' study work is important and bring satisfying result; the

acquired experiences indicate that the presence of the MER Model in the study programs and the incorporation of the MER Model into the pedagogical process have been successful.

The short presentation of the model in this contribution as well as its comprehensive description in the book published last year (i.e. [17]) is contributing to the recognition of the MER Model. In the future we should do more for international recognition of the MER Model. Like at the beginnings in the year 1992, also nowadays the energy, courage as well as money need to be collected to enable the publication of the MER Model in the book in the language of the chosen environment.

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