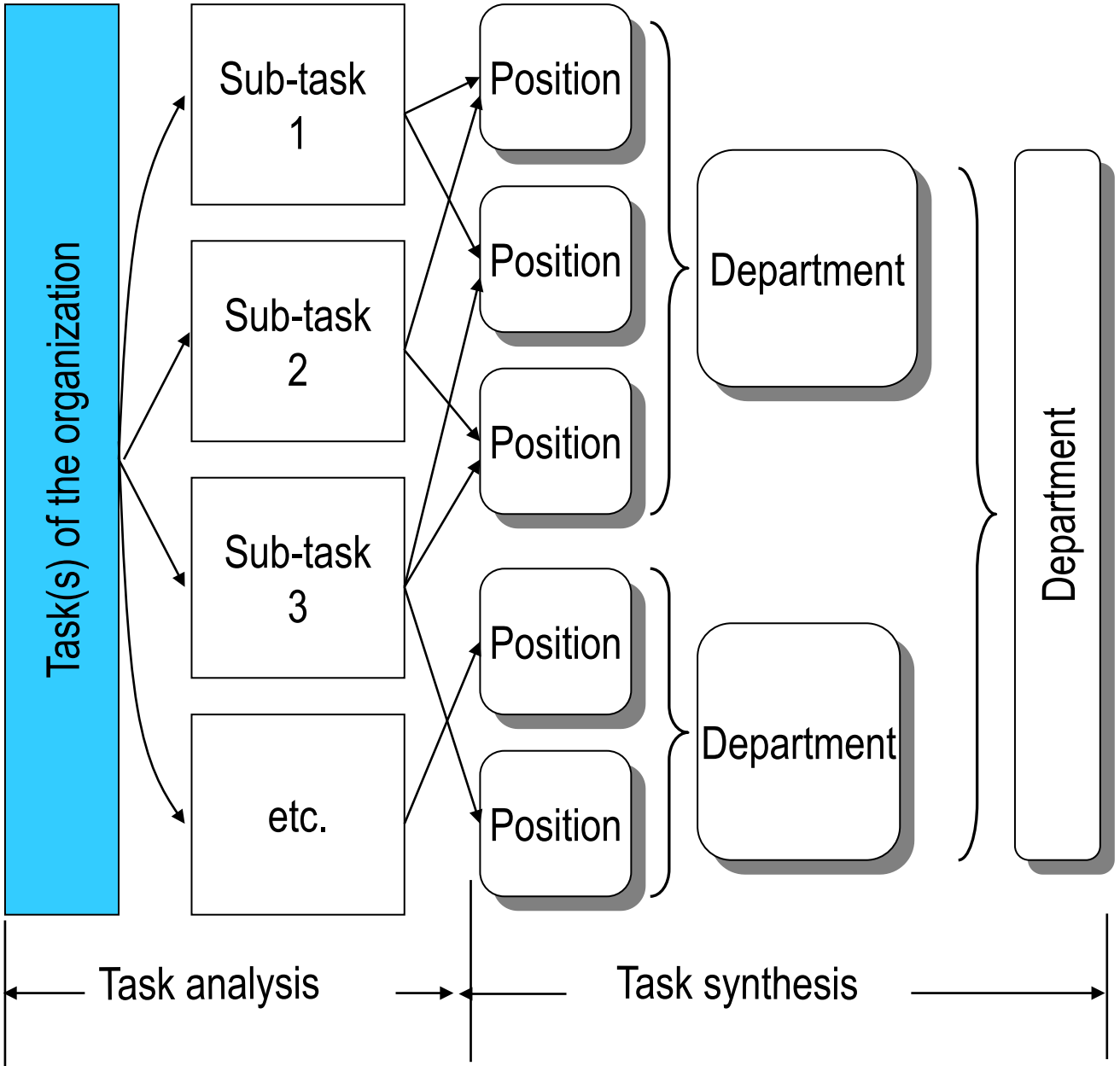
Internal Structures and Processes

(Chapter 4)

Organizational Design

The distribution of tasks among the organization requires that the tasks are systematically analyzed first: Task analysis

After the task analysis, organizational units are formed from these elements according to certain principles: Task synthesis


Task(s) of the organization
Sub-task 1
Sub-task 2
Sub-task 3
etc.
Position
Position
Position
Position
Position
Department
Department
Department
Task analysis
Task synthesis

Position and position creation

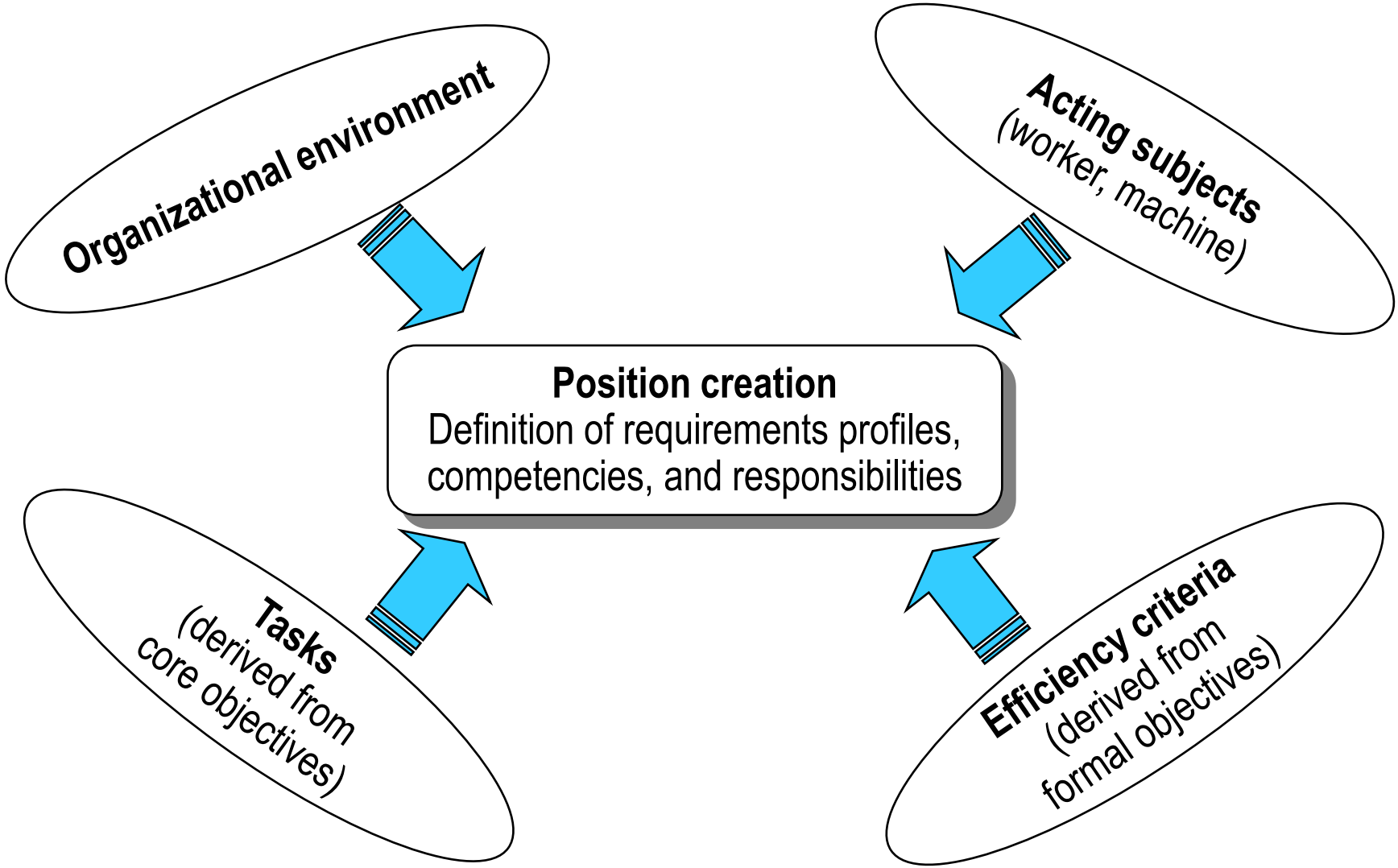
The position as the smallest independent unit of action in the organization is

- a complex of operations,
- created by synthetic summary of analytically obtained subtasks,
- and can be assigned to one or more action carriers.

The purpose of position creation is to create organizational rules that address the behavioral and functional expectations of the job holders.

- creation of requirement profiles
- defining competencies and responsibilities

Determinants of position creation

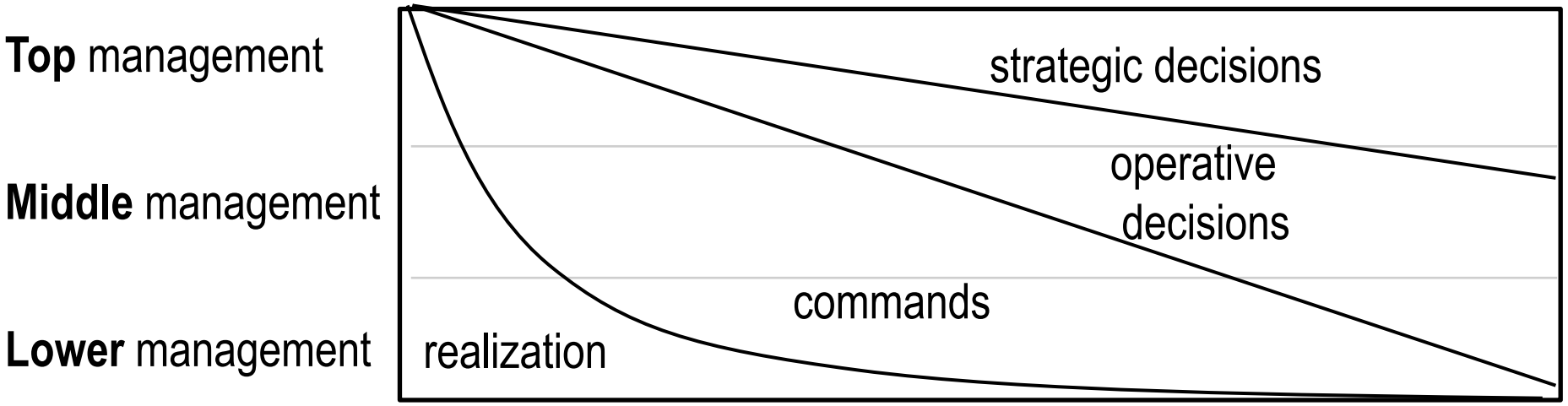


Position types: line function

Features of line functions:

- command competence
- decision-making competence

Decision-making and realization tasks of line functions:



Staff Function

Characteristics of staff functions:

- line advisory
- no original right of command
- decision preparation
- controlling of decisions taken by line function

Types of staff functions:

- generalized staff units (e.g., divisional staff, general secretariat)
- *adjunctive staff units (e.g., personal assistants)*
- *specialized staff units (e.g., internal audit, communication*)

Shared Service Center

Characteristics of shared service center:

- information gathering and transformation
- can provide services to line functions and staff functions
- not subject to a single authority in terms of performance of tasks (as opposed to disciplinary assignment)

Examples:

- ICT
- Training unit

Committee

Features of committees:

- multiple people in the collective - enable coordination/coordination
- (sometimes) temporary

Main types:

- Information committees: gathering information (e.g., on ecology issues)
- Consultative committees: making proposals (e.g., Council of Experts, Science Council)
- Decision-making committees: e.g., Supervisory Board

Examples:

Government, finance commission

Departments

Departments are intermediate systems set up for an unforeseeable period of service and are permanently active (= bodies linked by hierarchical relationships).

Reference points for departmental formation

- *task-oriented department*
  (i.e., summarizing similar bodies)
- *person-oriented department*
  (i.e., assignment to a specific manager)
- *material-oriented department*
  (everything that belongs to a machine / service center)

What must be decided: Regulation of the division of labor

Breaking down of larger tasks into subtasks and the transfer of these subtasks or combinations of subtasks to specific structural subunits.

Forms of division of labor (type of specialization)

1) Breakdown by activity

creation of functional units

2nd level of structure

Functional organization (as a framework structure)

2) Breakdown by object

- Product-related
- Market-/customer-group-oriented
- Regionally structured

2nd level of structure

Divisional organization (as a framework structure)

3) Multidimensional structure

For example, combination of structure by action and structure by object

Multidimensional organization: **matrix organization**

Departmental and non-departmental organizational management:

Departmental organizational management

Members of the top management bodies also head a subunit (e.g., division, large functional unit).

Non-departmental organizational management

Members of the top management do not head a subunit.

What must be decided: Regulation of coordination

Aligning the tasks of the subunit with the objectives of the organization.

Structural instruments

Organizational units that are permanently or temporarily entrusted with coordination tasks in an organization, e.g.:

- staff unit
- committees

Personnel instruments

1) Overlapping groups: People have simultaneous membership in two organizational units
2) Transfer of persons: Short- and long-term transfer to other organizational units (e.g., through job rotation)

Technocratic instruments

Regulations for the control of organizational units, e.g.:

- management by objectives
- scorecards
- policies
- leadership principles

What must be decided: Regulation of the configuration

The configuration of an organization is the individual nature of its horizontal and vertical structure.

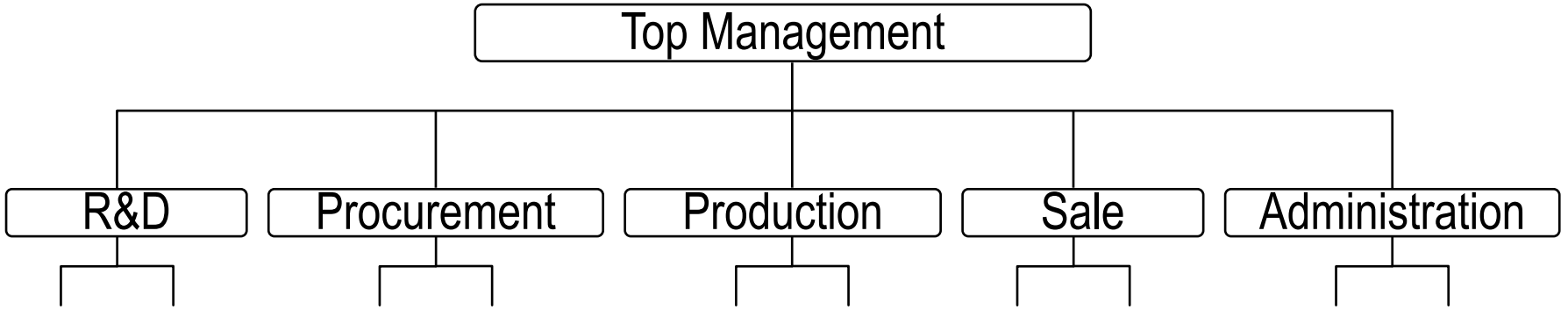
Features of the configuration

- Number of hierarchical levels (depth of division)
- Line spans (outline width)
- Distribution of employees between the different structural units
- Ratios (e.g., number of line functions in relation to staff functions)

The characteristics of the configuration are significantly influenced by the design of the other two action parameters.

Basic models of the frame structure

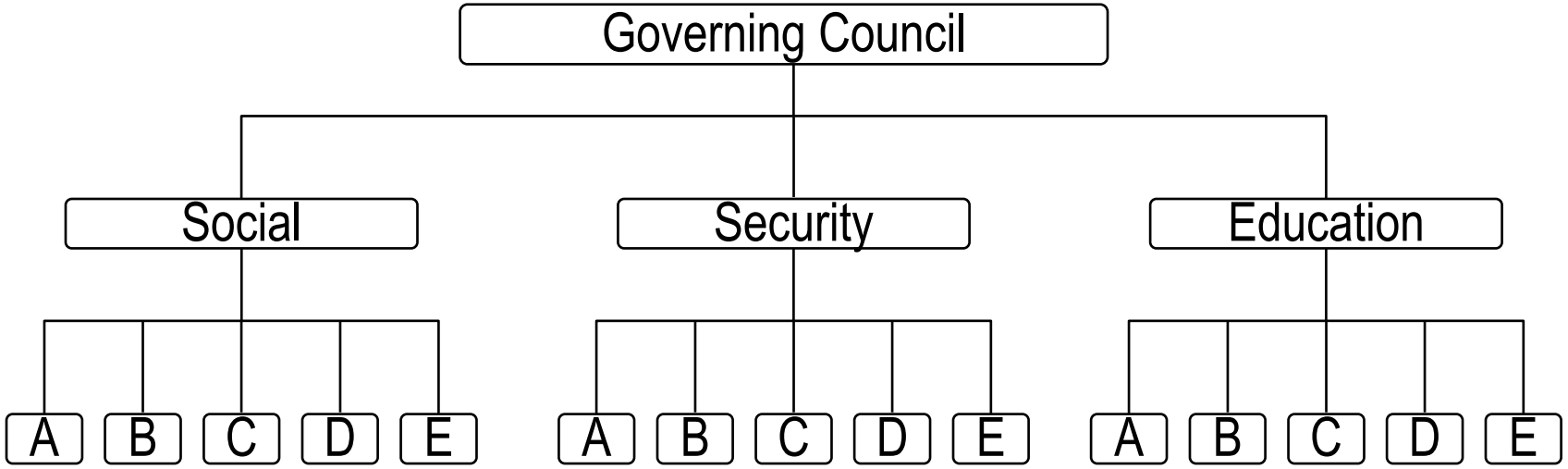
Example of a functional organizational form:



Structure:
At the second level of the hierarchy by activity.

Coordination:
- Tendency towards decision-making centralization
- Distribution of instructional powers in accordance with the single-line system
- Trend towards standardization

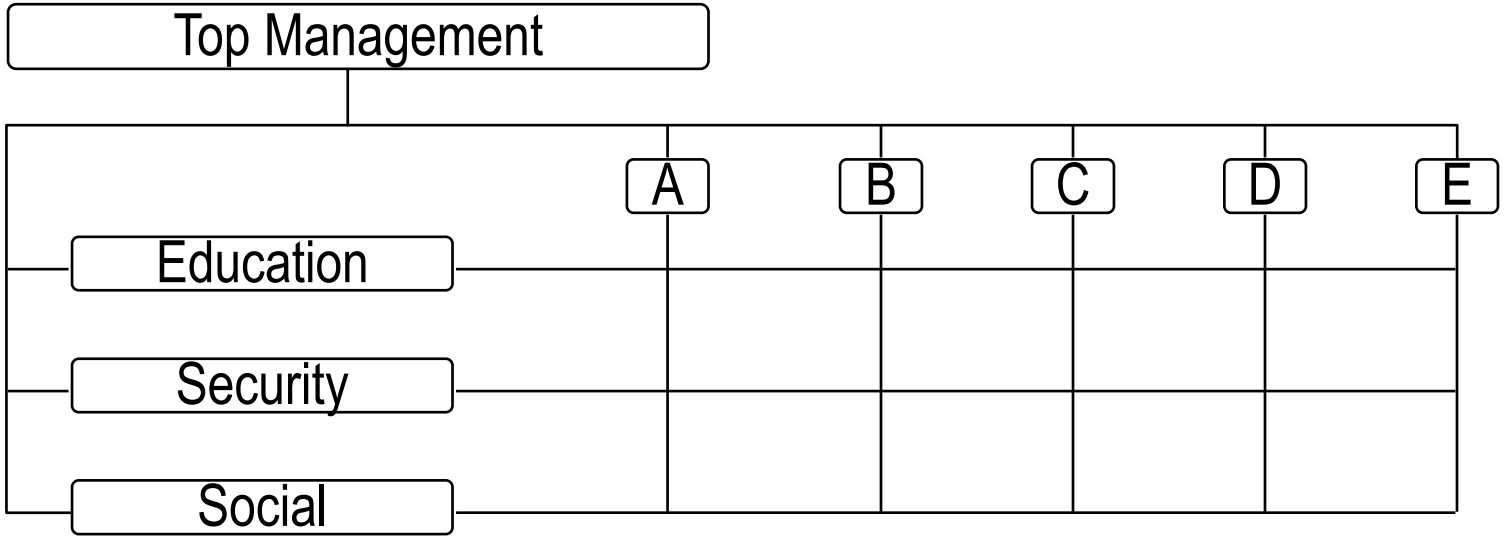
Example of a divisional form of organization:



Structure:
At the second hierarchy level by objects/products/customer groups/ market regions).

Coordination:
- Tendency towards decision decentralization ("autonomy" of divisions)
- Single-line system, central areas above the divisions

Example of a product matrix organization:



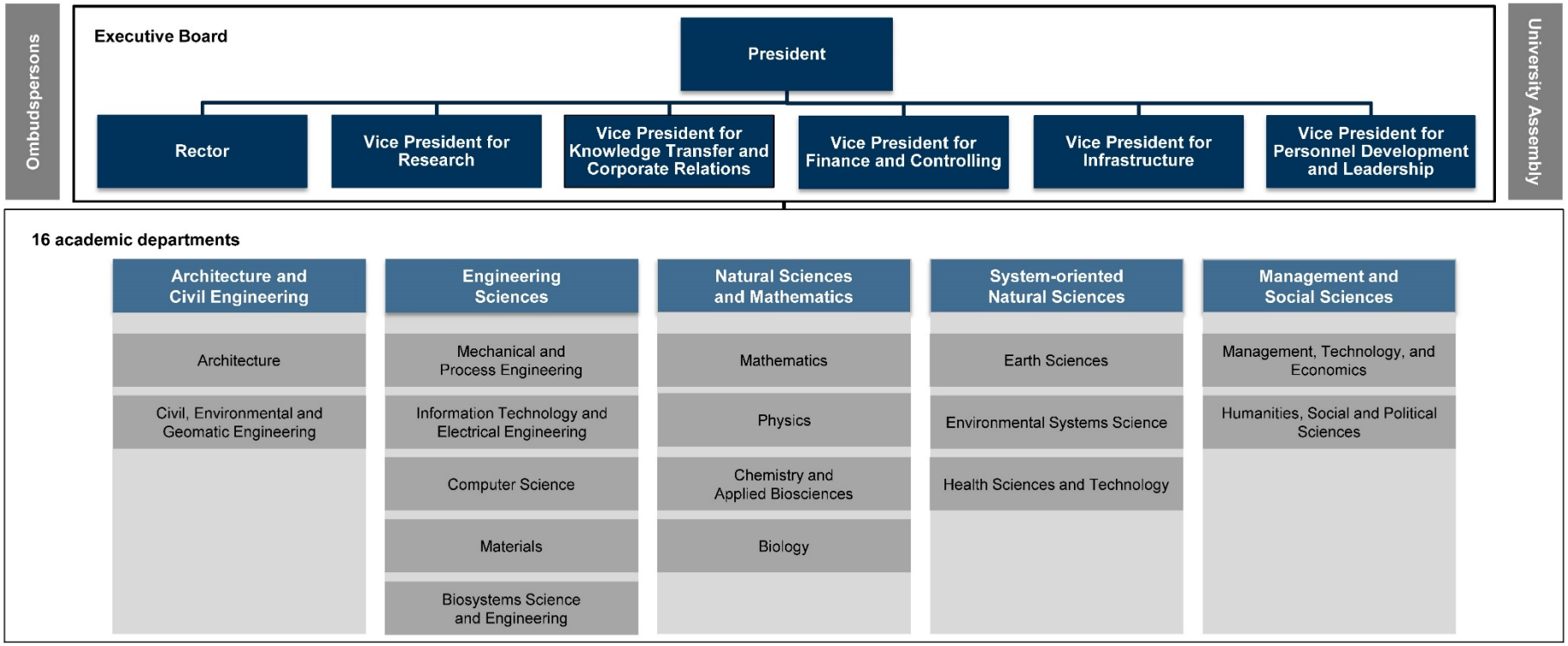
Structure:
Simultaneous realization of the breakdown by activity and division by object.

Coordination:
- Multi-line system (overlay of a vertical and a horizontal management system)
- Importance of competence assignment (high potential for conflict)

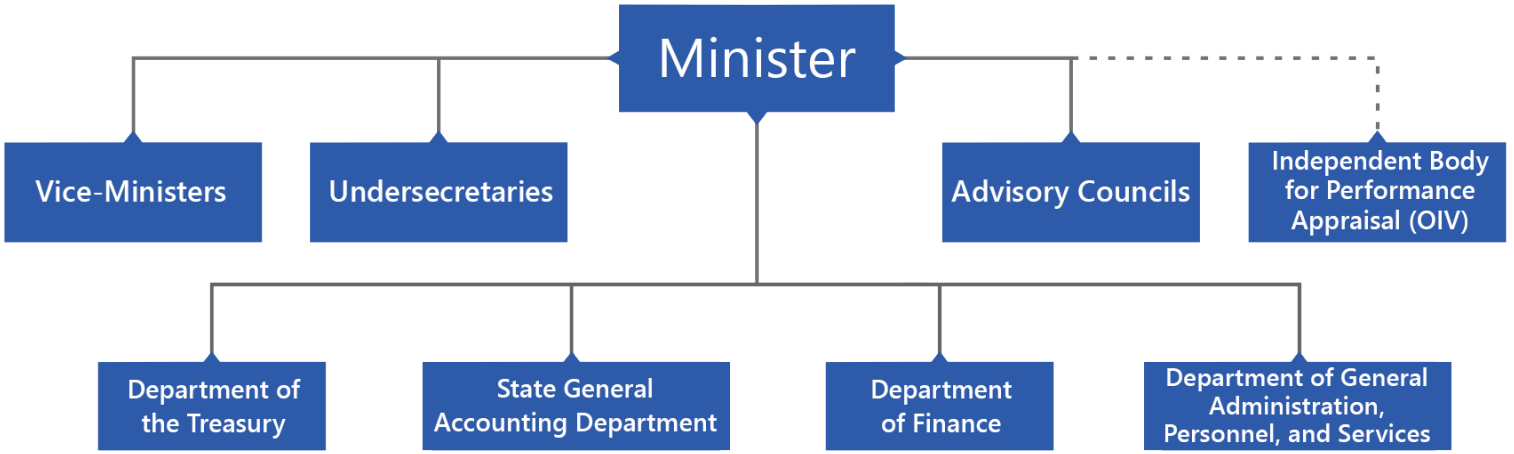
ETH Zurich

ETH Zurich Organisation Chart

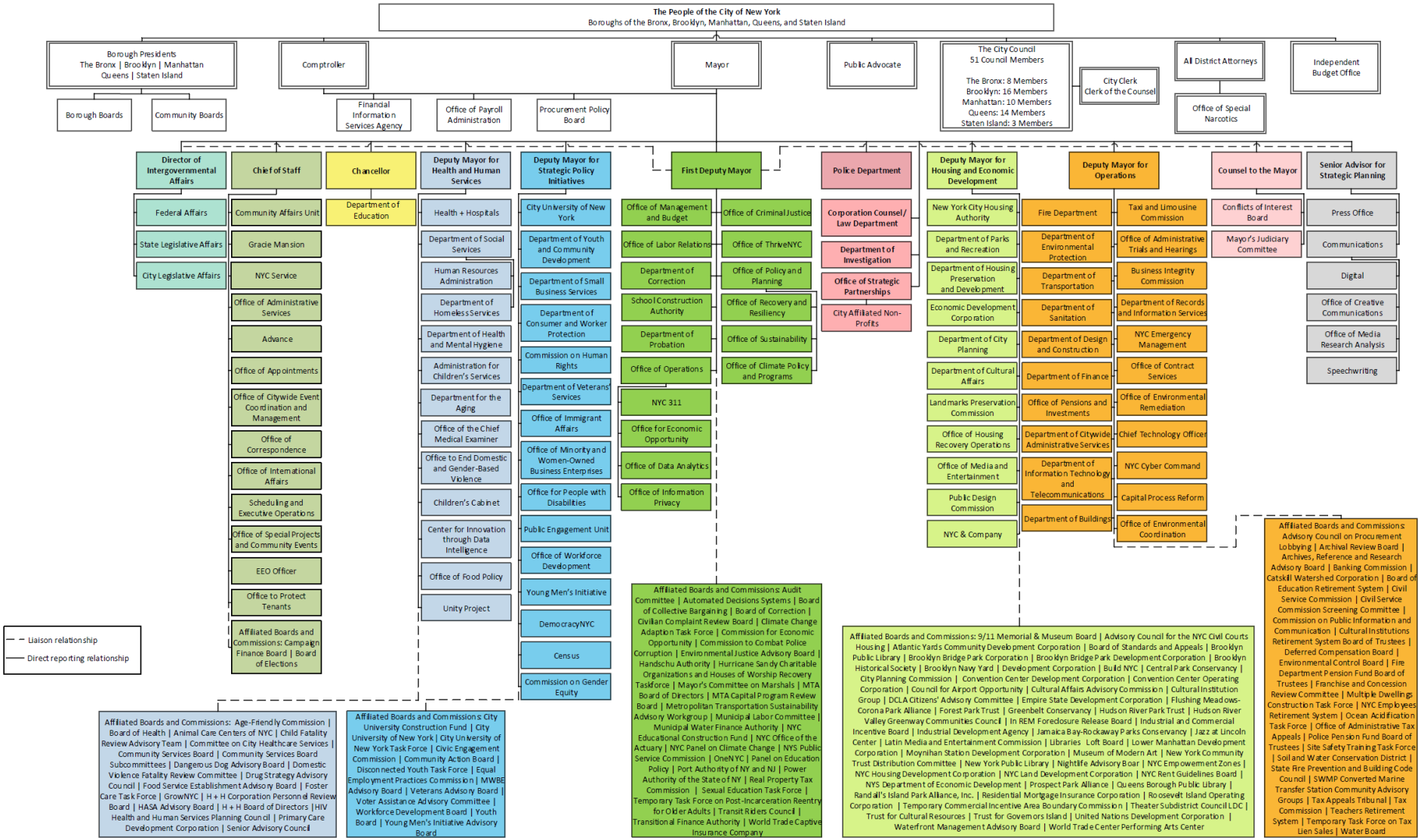
Executive Board and academic departments
1 January 2020



Ministero dell'Economia e delle Finanze in Italy



New York City



Efficiency criteria for assessing alternatives

Economic-technical category *(target-oriented input variables)*

(1) Target orientation
(2) Ability to manage / coordinate costs
(3) Fast and balanced information processing

Flexibility-oriented category *(environment)*

(4) Adaptability and innovation
(5) Promoting organizational learning capacity

Individual-social category *(internal processes)*

(6) Promoting social efficiency and individual learning capacity

Source: Thom/Wenger 2010

(1) Target orientation of the organization

- Clear target assignment of all job tasks
- Clarity and consistency of defined tasks, competences, and responsibilities
- problem-oriented and goal-oriented fulfillment of tasks

(2) Promoting the management and limitation of coordination efforts

- Number of vertical levels (hierarchy levels)
- Number of directly subordinated employees (line margin)
- Cross-divisional coordination facilities (task-dependent interfaces). Goal: low coordination needs

(3) Speed and quality of information processing and decision-making

Objectives:

- Quality, problem-solving, prudence
- Speed, time security in information processing and decision-making.

- Number of posts to be included in decision-making processes for the performance of tasks
- Clear rules for prioritizing and target-based conflict resolution

(4) Flexibility / adaptability of the organization

Objectives:

- More "tents", fewer "palaces"
- Adapting to environmental changes without fundamental organizational change

- Ability to respond quickly and effectively to qualitative and quantitative changes in the environment and to implement structural adjustments with low friction and with the lowest possible loss of performance
- 'Optimum' degree of centralization with regard to the decisions to be taken in the above-mentioned adjustment processes
- Openness of the primary structure for secondary and temporary supplementary structures

(5) Promoting organizational learning capacity

- Possibility of cross-level, cross-sectoral, and functional information, communication, and personal contacts
- Permeability of structures
- Ability to pool specific knowledge potential

(6) Promoting social efficiency and individual learning capacity

Objectives:
The job holder understands and supports the organizational rules

- Job satisfaction
- Performance motivation
- Development of performance potential
- Competence and responsibility margins with high fault tolerance

The new thinking in processes

The traditional approach was usually assumed to be that the process regulation was at least mentally downstream of the structural regulation.

In recent years, process thinking has become more important. The following issues point to this fact:

- Necessary ability to react quickly,
- Shortening innovation cycles, and
- Interface management.

It is increasingly important for administrations to identify priority administrative processes for individual business areas or functions: the so-called critical business processes or core processes.

Core processes consist of a combination of related activities, decisions, information, and material flows that together constitute a sustainable advantage of an administration.

In this context, "critical" means the importance of the processes for the success of the administration. This also makes the connection to critical success factors or critical capabilities of an administration.

If this way of thinking prevails, a reorientation of organizational thinking (a so-called paradigm shift) can occur:

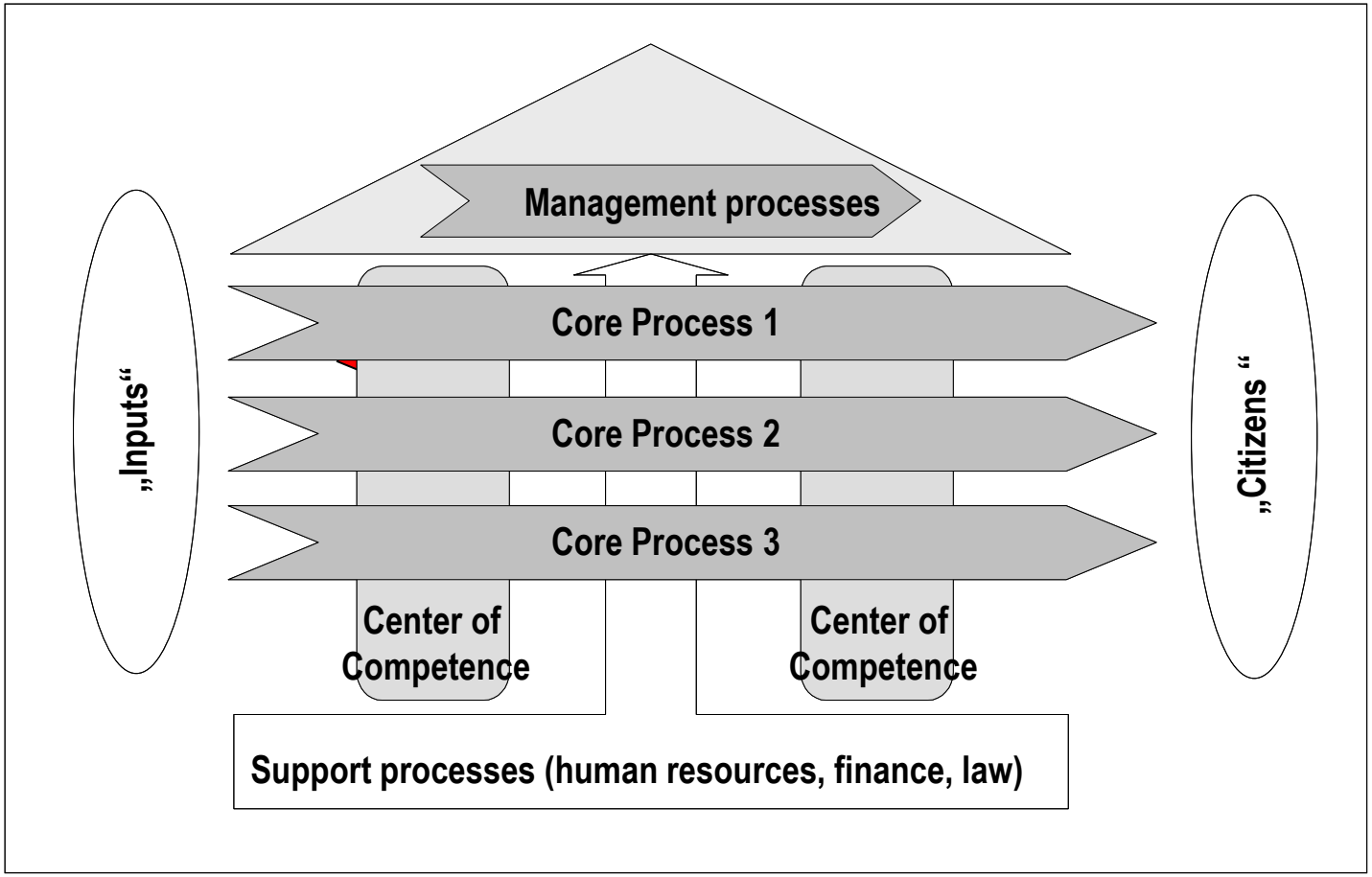
From structural organization to process organization

Features of the process organization

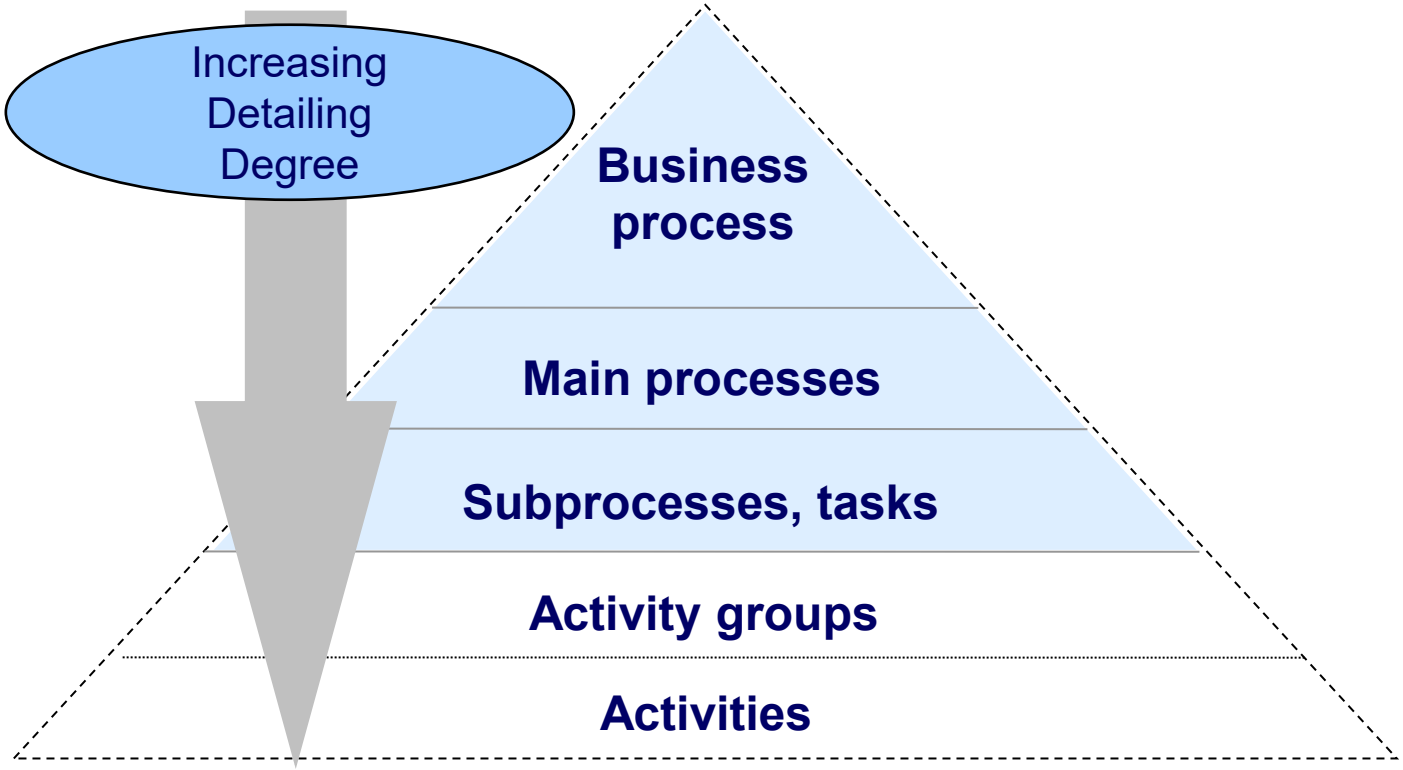
Definition of ISO 9000:2000
Process = set of interrelated activities that convert inputs into results.

- Abolition of the previously functional division of labor by bundling a sequence of activities that provides benefits for internal or external stakeholders and fulfilling tasks through team structures.
- Strict derivation of the process content from the strategic objectives.
- Creation of units with responsibility for the entire service chain from supplier to citizen.

Structure of a process organization



Process hierarchy



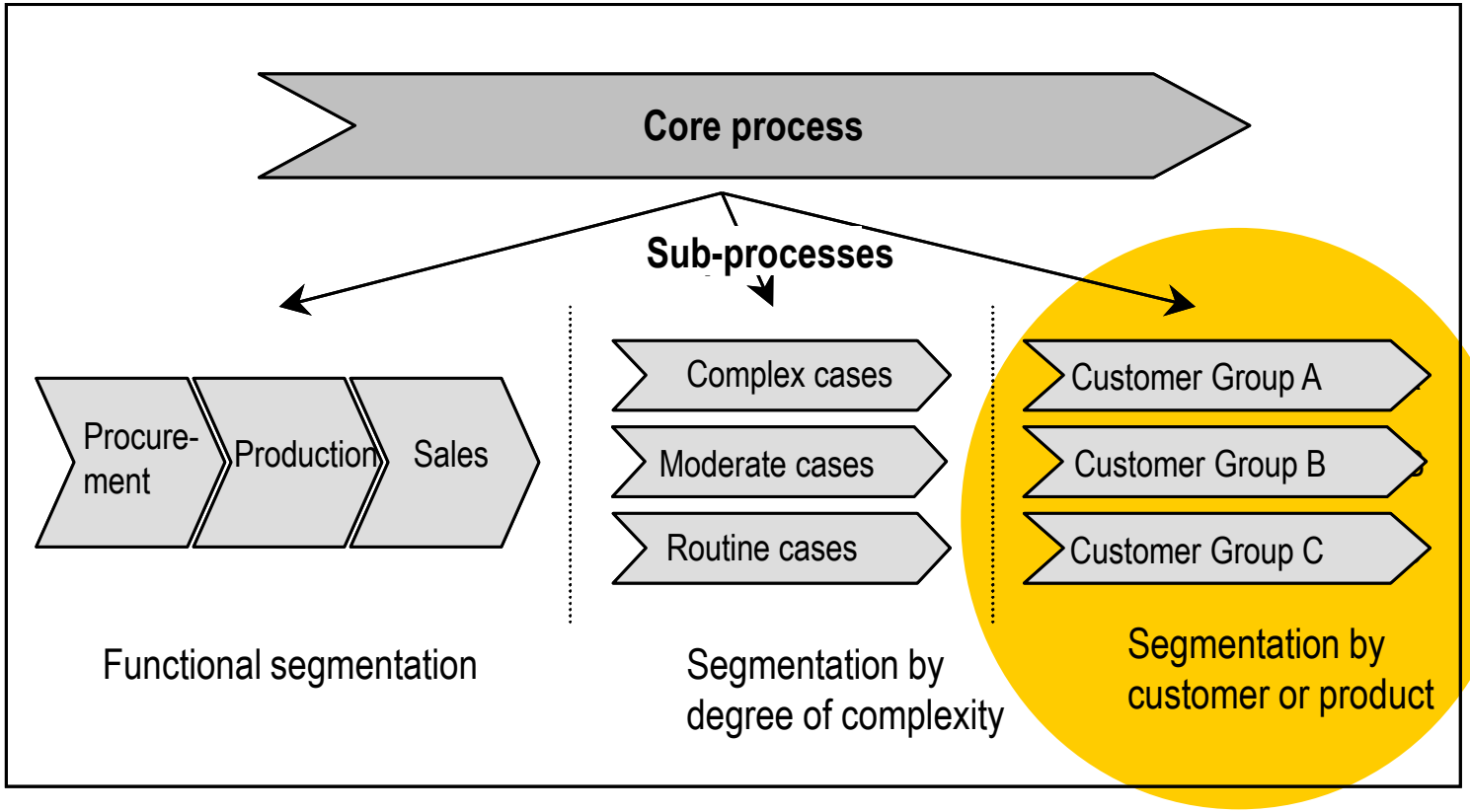
Business processes are shaped by the ultimate goals of the organization and generate value-added services for their process customers (e.g., business process financial management).

Main processes are complete sequences of activities between defined triggers and interruption (submission of external services or decisions or completion of process performance) (e.g., main process accounting).

Sub-processes are complete sequences of activities within a main process that take place in an organizational unit/cost center (e.g., subprocess for main process accounting: accounts payable).

A task is an elementary activity that can no longer be depicted in a process (e.g., the task of the switchboard is to answer phone calls).

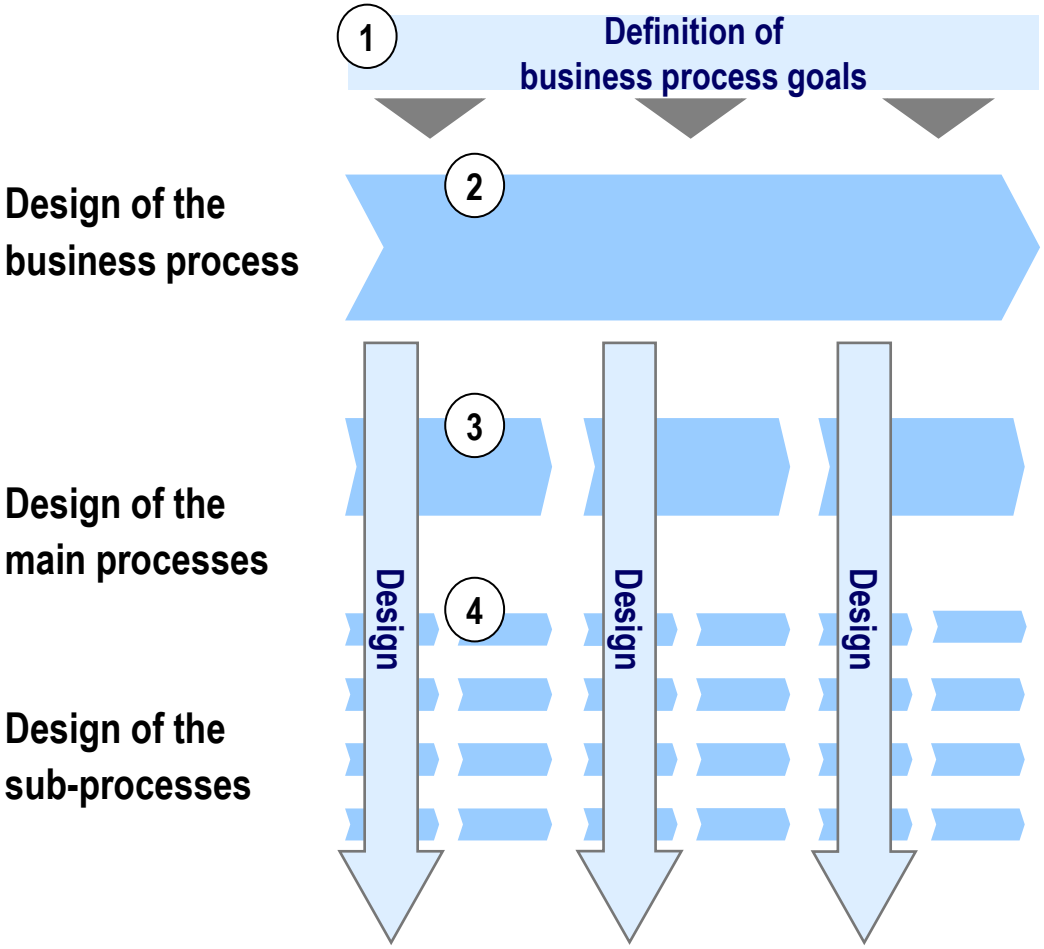
Possibilities of process segmentation



Source: Osterloh/Frost 2003, p. 51

Process design

Process design is deductively carried out in four closely linked steps



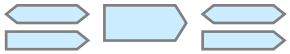
Step 1 (business process objectives): The objectives are systematically aligned with the specifications and requirements of the influencing factors

Influencing Factors

Regulations

„Business model“

Citizens/customer requirements



Actual processes

Model processes/ benchmarks

Targeting
(business process level)

Business process definition:
What are the basic tasks of this process?

Performance requirements:
What do we want to offer our citizens/customers, what do our citizens/customers expect from us?

Success factors:
What are the elements of success?

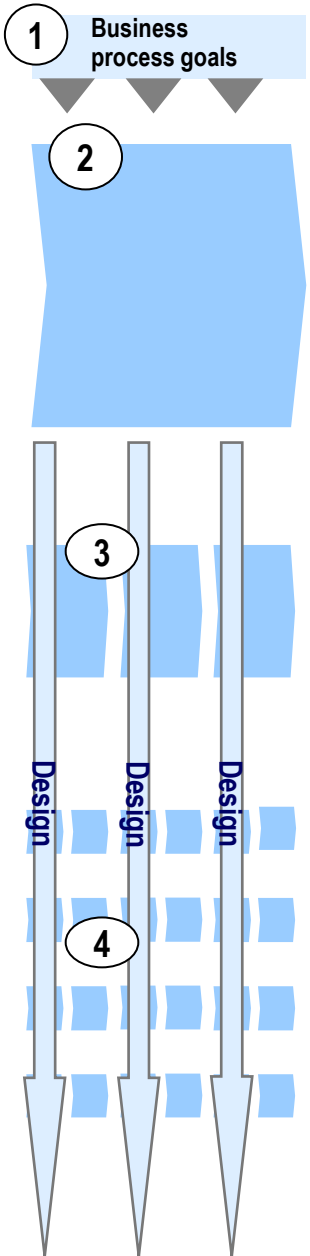
Operationalization

Target sizes per business process E.g., customer benefit, processing time, employee satisfaction	
Output/Outcome Targets **What do we want to achieve?** E.g., customer satisfaction, no failures	**Enabler** **What is needed?** E.g., one face to the customer, quality standards

Consequences for process design

- Process-oriented specialization
- Citizen/customer-oriented orientation of the service delivery
- Decision delegation, reduction of control activities (external control), minimization of support units
- Low number of hierarchy levels
- Service provision as holistic as possible ("from a single source")
- High degree of self-coordination, low structural coordination, and few personal instructions
- High time coordination within the task fulfillment processes

Steps 2-4: The design of the target processes creates a complete process chain



2

Formation of business processes:

- How is the process initiated?
- What is process performance?
- Who are the customers/citizens?
- What interfaces are there?

3

Formation of main processes:

- How is the process initiated/What is the triggering event?
- What is the service level during interruption?
- What is the result of the process?
- What follow-up process is initiated?
- Where are the processes anchored in the organizational structure?

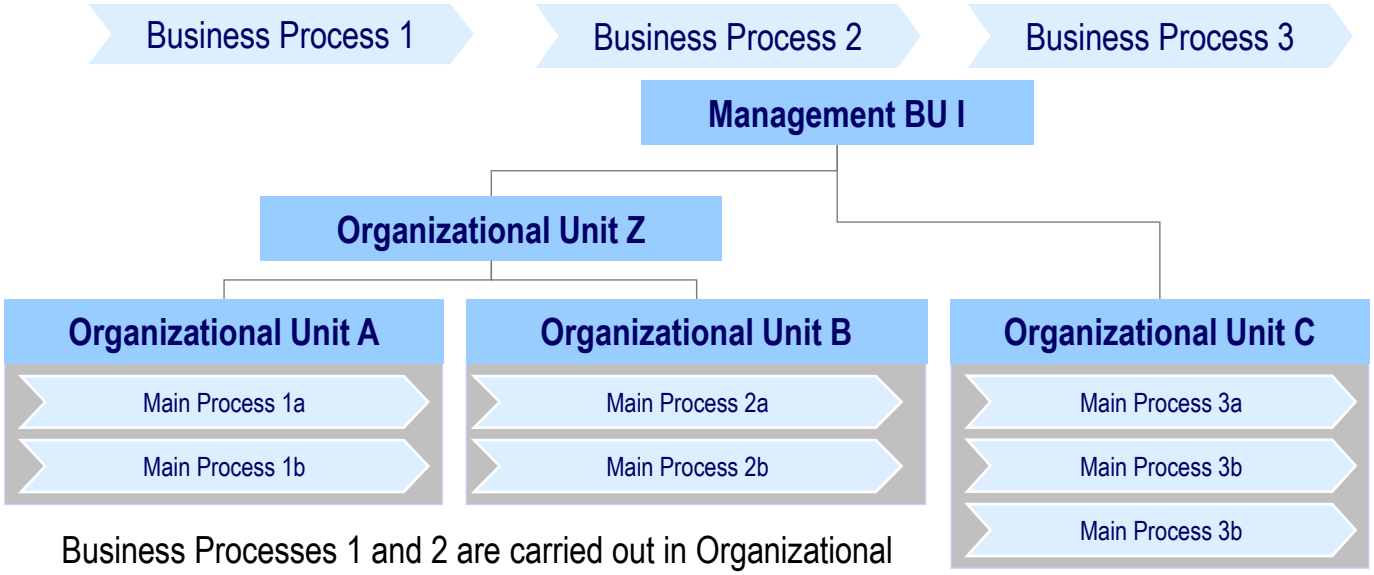
4

Formation of sub-processes:

- How is the process initiated/What is the triggering event?
- What is the result of the process?
- What activities or groups of activities are carried out?
- What resources are needed?

The anchoring of the target processes in the management structure shows the new areas of responsibility of the organizational units

Business Unit



The business unit (BU) is responsible for Business Processes 1-3

In Organizational Unit C, the Main Processes 3a-3c are performed

Business Processes 1 and 2 are carried out in Organizational Units A and B, respectively. Organizational Unit Z merely has a coordination function

Adaptation of resources and systems

The need for change concerning resources and systems is specified on the basis of the newly defined processes and their metrics

Actual → **Target**

Staff:
- Recruitment, development, and termination
- Personnel management systems
- Incentive systems

Know-how:
- Expertise and skills

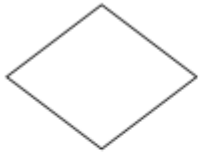
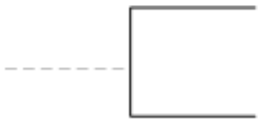
Management systems:
- Financial management systems
- Controlling and reporting systems
- Performance allocation systems

ICT:
- Software and hardware

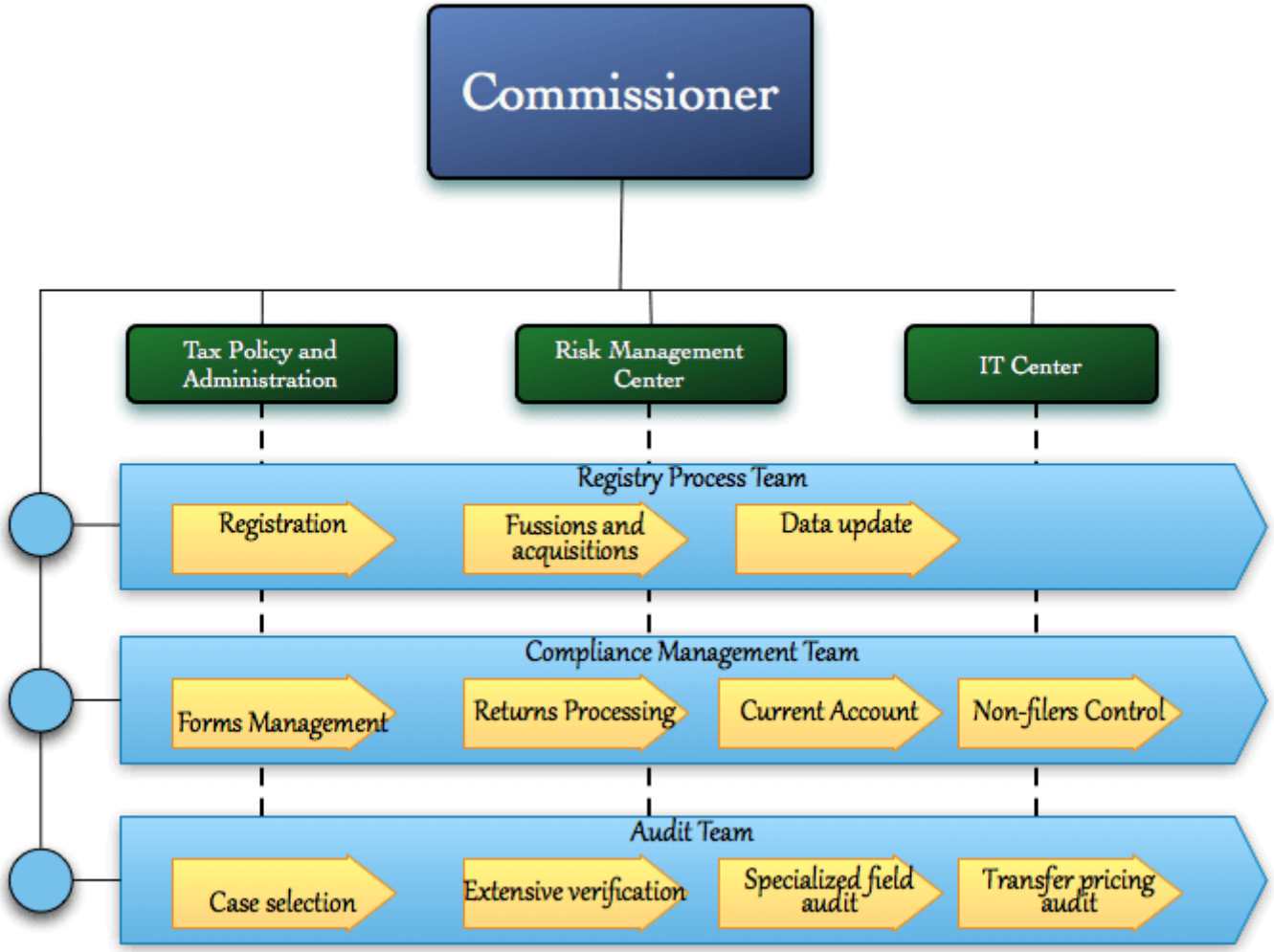
Other infrastructure and material resources:
- Call center

Etc.

Flowchart Symbols (according to ISO – since 1970)

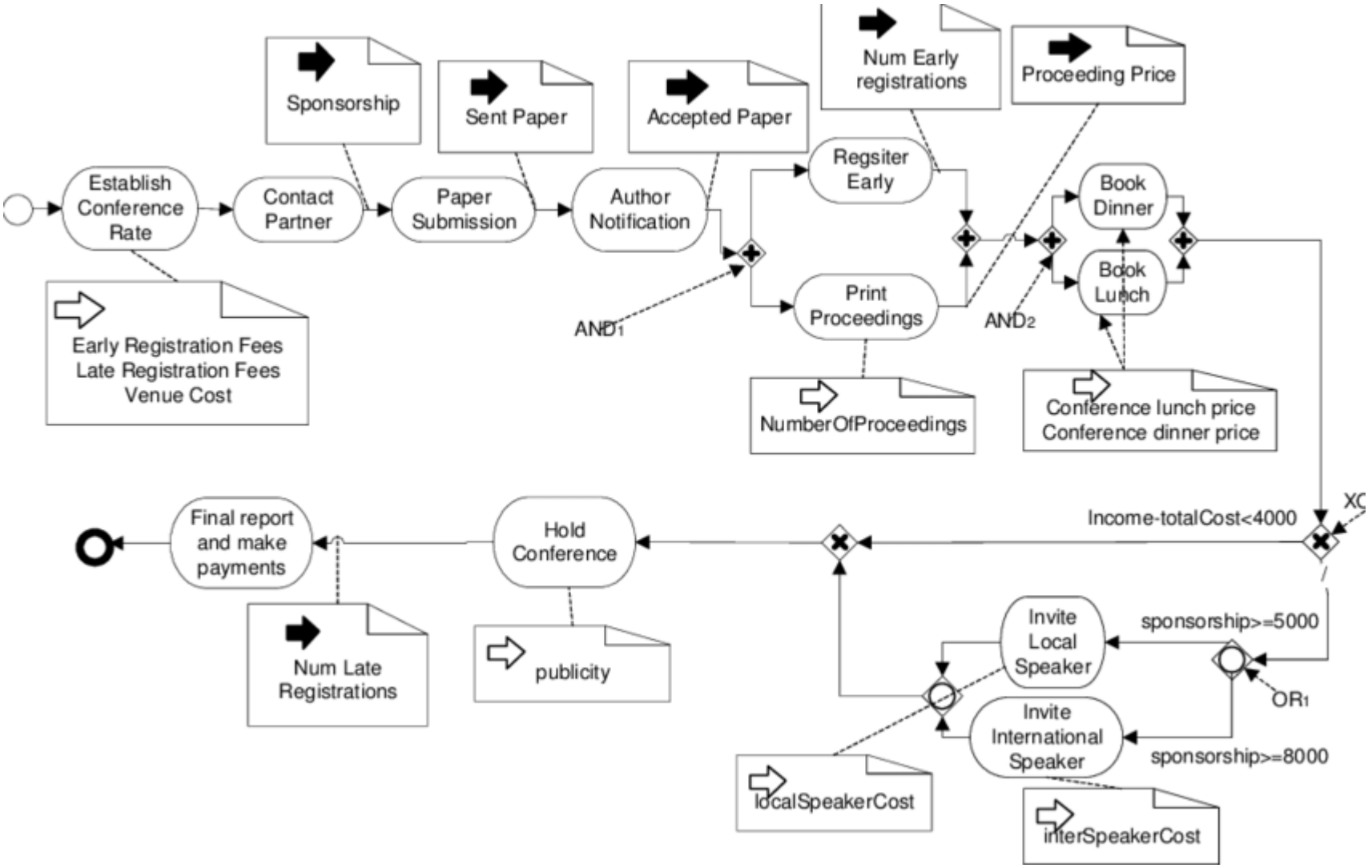
Flowchart Symbol	Symbol Name	Description
	Terminal (Start or Stop)	Terminals (Oval shapes) are used to represent start and stop of the flowchart.
	Flow Lines or Arrow	Flow lines are used to connect symbols used in flowchart and indicate direction of flow.
	Input / Output	Parallelograms are used to read input data and output or display information
	Process	Rectangles are generally used to represent process. For example, Arithmetic operations, Data movement etc.
	Decision	Diamond shapes are generally used to check any condition or take decision for which there are two answers, they are, yes (true) or no (false).
	Connector	It is used connect or join flow lines.
	Annotation	It is used to provide additional information about another flowchart symbol in the form of comments or remarks.

Example of process organization

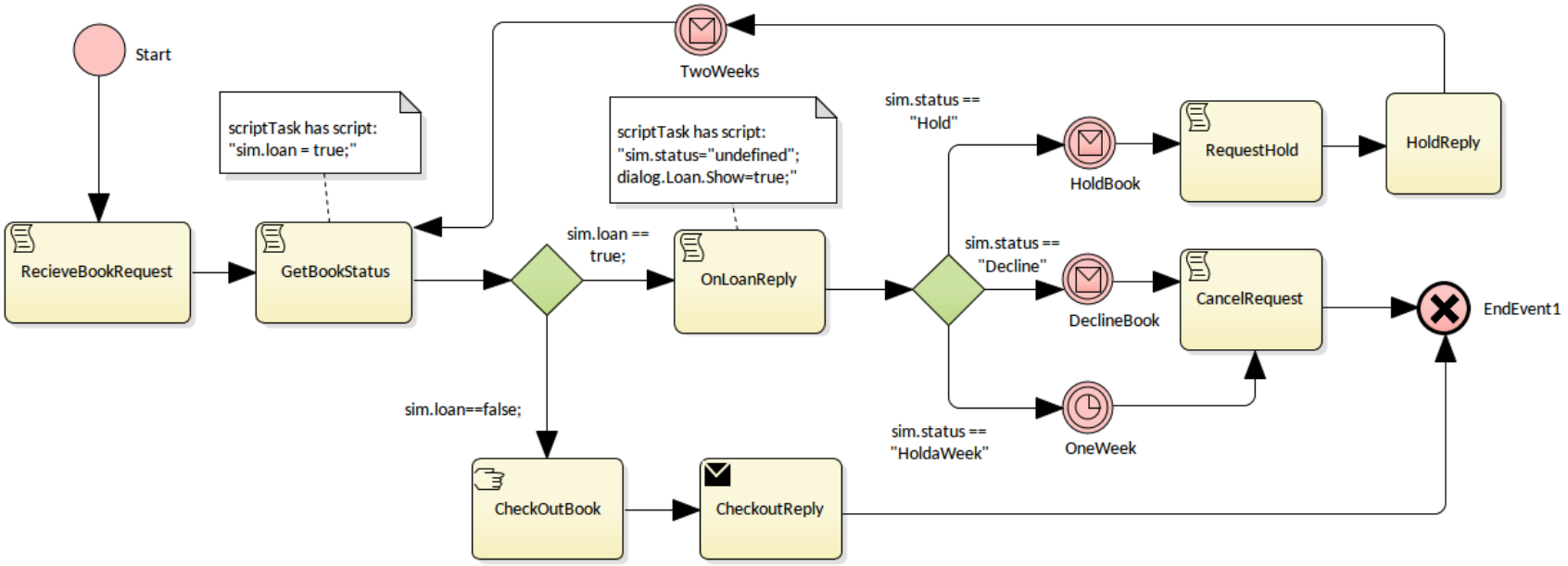


Source: Inter-American Center of Tax Administrations 2020

Example of a process (organizing a conference)



Example of process (book-lending)



Example of process (loan application)