

# From the Outside World to Internal Structure

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There is an increasing trend of making analogies between living organisms and business environments. Terms like “Business Ecosystem,” or case studies about the application of concepts like Autopoiesis on business related topics, offer a completely new perspective on how the enterprises behave and interact with each other. There is a good reason for that. Nature is the most perfect example of entities performing processes, evolving, and adapting to change together.

In nature as in business, adaptation to changing conditions becomes critical for survival, and living things are continuously “reorganizing” to perform their internal processes and even modify aspects of their internal structures to adapt to the environment. These changes are not voluntary but triggered by their interactions with each other and with the environment

Same thing happens in Business. Stakeholders (e.g., customers and shareholders) will not interact with a company unless they find value in doing so. Each stakeholder has their own “Value Proposition,” and it is up to us to find the right combination and the right weight of the variables (price, quality, service, and relationship) that will enable a partnership that creates values for all parties involved.

In order to prevail in a Business Ecosystem, organizations need flexibility and agility in design to meet stakeholder value propositions. The internal structure of the organization must be adequately sized to fulfill the various stakeholders’ needs in a competitive and efficient way. In fact, the stakeholders themselves also need to deliver value to other entities to enable those entities to deliver to others, and so on. If an organization is forced to “push” the cost derived from inefficiencies to other members of the “Business Ecosystem,” those members will react in a way that will put in jeopardy the balance of the business network as a whole. The Business Ecosystem is a series of organizations that meet each other’s value propositions.

Let’s try to follow the track from the outside world to the inside structure.

## The Value Proposition

What the stakeholders expect to receive from your organization (products, services, and information) “nurtures” those stakeholders, which, in turn, transforms those products into other types of value for themselves and for other members of the business environment. The combination of those expectations and the way your company approaches them (Vision, Mission, and Values) is the starting point for architecting the enterprise. This represents the Customer Value Proposition, and all internal business processes and the organizational structure are to be designed and sized adequately to fulfill these expectations. Outside these business processes, whatever else that is not contributing to generate or enable the value proposition is by definition destroying value and could lead to changes of behavior in other members of the business environment. It is critical to keep in mind that the Customer Value proposition is not created from the INSIDE but based on external factors, while it is affected by internal aspect like strategic intent and/or corporate culture.

At the same time, the Customer Value Proposition provides some key elements for the enterprise architecture. It defines the framework that shapes the organization’s approach for topics like control mechanism, business rules, and priority for process deliverables. These priorities become the key for the definition of the organizational structure since they are in reality the required outputs without which the value proposition cannot be fulfilled.

## Role Definition

If a role is understood as a responsibility within a process to assure the fulfillment of process outputs, or deliverables, then the Role becomes the “functional unit” of the organizational structure. In order for the “Role” to achieve the process deliverables, it needs to be “Empowered” by providing it with the appropriate authority, with access to information and the organizational

hierarchy, in order to be accountable for the specific deliverable of the process. Accountability must be matched with appropriate authority, and then consequences (positive or negative) must follow the results. Moreover, the complexity or technical requirements of the tasks to be performed by that role also define the type of skills, experience, and profile that a person would need to successfully perform the role. Lastly, the expected efficiency, defined during the process design of the combined activities performed by a role, can provide an estimate of how many “fully dedicated performers” are required to fulfill the volume demand of that specific deliverable.

### Consolidating Roles and Designing the Organizational Structure

At this point we have defined the outputs necessary to deliver the Customer Value Proposition, determined the necessary roles to make sure those outputs are fulfilled, with the number of “performers” per role required to fulfill the level of demand according to the expected efficiency of the process, and even the skill and profile that the role will demand, all in order to ensure that we meet the Customer Value Proposition of that particular business process.

Then the economies of scale come into play. Counting on the correct process design, the roles can be consolidated into organizational positions by analyzing aspects, such as idle times between process activities, commonalities of access to information, or continuity of the value chain. Other aspects to be considered in the definition of the organizational positions are

- Dependence on KPIs
- Conflicts of authority or interest
- Conflicts on physical location
- Differences on skill levels between roles

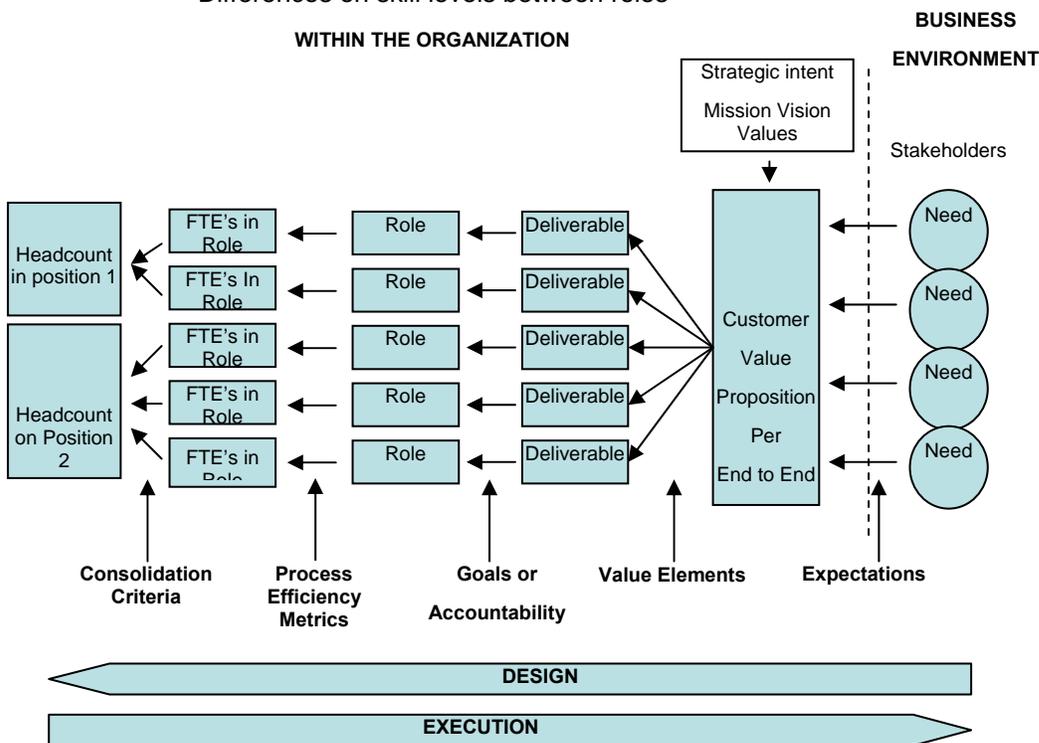


Figure 1. Impact of external needs on internal role definition.

This consolidation of roles is probably one of the most important aspects of this design since it could affect the flexibility to adapt to changes in the future. It also has a big influence on how the technology will enable the process performance and the possibility of adapting process performance at a lower cost if required by changes on the business.

Of course, after this point, there are more alternatives to defining the reporting lines and functional areas.

Last but definitely not least, tracking and evaluating KPIs are the mechanisms for triggering evolution. KPIs and strategic analysis represent, as in every other “living entity,” the “Learning Tool” that will detect the changes in the environment and trigger adaptation.

In summary, alignment of Business Process Management surpasses the mere concept of improving internal efficiency to become a pivotal factor in the design of the enterprise since it is the consolidator of all the aspects of business, from the outside world to the internal structure.

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