



Organization Modeling for the Real World

By Roy Altman, Peopleserv, Inc.

What is Organization Modeling?

Organization modeling is a discipline for capturing and maintaining the relationships between people in an organization. For an organization to work well, the workers must be clear in their roles and responsibilities. As software that enables process collaboration among organization participants is used more and more, it becomes essential to formalize these relationships. Once formalized, such software facilitates a more flexible, yet disciplined approach to human capital management.

A company's human resources software "stack" typically includes solutions that address each of the administrative needs of the company, such as: time and labor, recruitment, benefits, performance management, etc. It should also include an organization modeling solution that will enable the other software components to work better together.

This article attempts to answer some of the fundamental questions about organization modeling: what it is (and isn't); what it's useful for; and how to keep the information current.

Is Organization Modeling the Same as Org Charting?

No! Organization Modeling is the ability to track the people relationships in an organization, in multiple contexts and structures. Org charting relates only to the display of organizational structures in a way that is easy to comprehend. While the visualization of an organization's structure is important, it is not the same as being able to define the relationships in an organization in a way that will improve effectiveness.

My ERP or Org Charting software indicates the management structure. Why isn't this sufficient?

The answer, simply put, is because each worker has reporting relationships with people in the company in addition to their direct manager. A true organization modeling solution will:

- *Track multiple types of relationships* – Your direct manager is not the same person as your responsible HR representative, who may not be the same person that approves financial procurements, who may not be the same person who approves time sheets and expenses and does your performance review. Yet, your company's ERP or Org Charting software has you reporting to one and only one person.
- *Support hierarchical and matrix structure* – Often, project teams are comprised of available resources from a pool of workers with particular skills. This is called matrix management. If you are a solutions architect, you probably report directly to a manager of architects, but you work on projects in the New York and London offices. There is no formalized relationship between you and the project managers of the New York and London projects.
- *Validate hierarchical relationships* – Sometimes workers have no supervisor assigned to them in the HR system, because it isn't a required field. Sometimes that supervisor's reporting structure ends in a circular reference: they report to someone who, in turn, reports to them. Sometimes the reporting chain does not go all the way to the top of the company. If a business process relies on a supervisor who is defined as someone who can approve a transaction, and that supervisor cannot be found, the business process is broken. An organization modeling solution should validate all relationships that require validation. If a supervisor terminates or is reassigned, the organization modeling solution must ensure that all reporting relationships are also reassigned accordingly. In this sense, the hierarchy can be considered "self-healing."
- *Allow for flexible grouping of employees* – Maybe you're a manager of all accountants from the Prague office, or you're a project manager with a hand-picked project team. If you change roles, all of those reporting relationships must be reassigned one at a time. An organization modeling solution would make this a more manageable process. Such a solution would allow flexible groupings of employees to be created and then reassigned by applying pre-set rules, or by manually moving a pre-selected set of workers to a new reporting relationship.

How is Organization Modeling Used?

Primarily, the reporting relationship information is used to optimize automated business process management (BPM). In the HR world, BPM takes the form of self-service applications. However, organization relationship information can be used by any application in the enterprise that has a workflow component. While implementing this solution at a major financial institution, I discussed the impact with the manager of a workflow application. He told me that if his company were to publish organizational information, there would be “dancing in the streets.”

Some of the applications that would benefit from organization relationship information are:

Employee/Manager Self-Service – The recipient of a self-service workflow item is usually the employee’s direct report – but not always. Often, the second-level approver is a senior manager. That’s when the business process gets tricky. It is not good practice to bother senior managers with approval routings that are not relevant to them. Routing the transaction to the correct manager is essential to its quick approval, and staying in the good graces of upper managers who don’t want to be bothered with approvals that are not their responsibility.

Time and Labor – Once again, a timesheet is often routed to a direct manager for approval. However, often-times a manager will designate a subordinate to approve timesheets for her. An organization modeling solution is essential to categorize the timesheet approver, and formalize that role in the business process.

E-recruitment – requires many approvals during the requisition-to-hire process. A finance person must approve funding for the position, the hiring manager must approve the requisition of successful candidates, and often an HR person has final approval on the hire. In a large organization, that wouldn’t be just one person for the entire company, but one of many depending on the functional area of the position. Without an organization modeling solution to categorize HR approvers by business area, there would be duplicative or invalid approval routings, which would slow down the hiring process, and potentially result in losing desirable candidates!

E-procurement – A budget approver is often required to OK purchases. Purchases outside of guidelines often require a second level of approval. The financial approval structure of an organization is often different than the supervisor reporting structure. An organization modeling solution is needed to capture and maintain these relationships.

Performance Management – 360° reviews often require the input of one’s peers. In addition, if the employee is working on a project in a matrix environment, feedback from the matrix project manager is essential for an accurate review. These relationships are not captured in a traditional organization structure.

Help Desk – Most help desk applications have an escalation structure for dealing with issues that arise in the organization. Often, the trouble ticket comes to a “dispatch-

er,” who then routes it to the appropriate resource (based on colloquial knowledge). If the responsibility and escalation structure was encoded in the organization modeling solution, the ticket could be automatically routed to the right person, saving a step in the process and better serving the company. After the issue is resolved, the users could be automatically notified by the application. Notice here that a robust organization modeling solution can store relationships between people, as well as other entities, such as servers or networks.

Business Process Management (BPM) – Many complex organizations are recognizing the value of analyzing and automating end-to-end business processes. The people who play roles in a business process have relationships that are not captured anywhere. This results in ambiguity within the business process, which hampers its successful automation. As a company moves toward a BPM strategy, organization modeling will be an essential component to the success of that strategy. This is because tasks that make up business processes can be defined and executed according to real-world job responsibilities, rather than what may be contained in a two-dimensional, incomplete or out-of-date org chart, or what is known colloquially across distributed workgroups.

General Ledger – Human capital management systems usually store account codes for exporting payroll information to the general ledger system. However, the financial structure of an organization is rarely the same as the HR structure. This often results in convoluted “work-arounds,” – or inaccuracies in the general ledger system.

Compliance Reporting – Sarbanes-Oxley requires managers to sign-off on the financial statements of all managers who report to them. If the organization structure stored is incorrect, incomplete or not within the “financial responsibility” structure that is required, the company is out of compliance.

Entitlement Reporting – Large companies often audit employees’ entitlements by management level. Unless that information is maintained accurately and validated, the company may be out of compliance.

Learning Management – Oftentimes, managers of certain levels are required to undergo training to ensure that they understand their responsibilities correctly. If the management structure is not captured, there can be no verification that those required have undergone the training.

Reorganizations – Companies restructure frequently in response to acquisitions/divestitures or changes in strategy. To do so quickly and effectively, the company must: (a) know its current structure, and (b) have a method of restructuring that doesn’t require moving people on an individual basis.

It’s up to you – How many other uses of this information can you think of? Multi-dimensional organization information can be a strategic tool to provide insight into the inner workings of a company that were not previously possible. The possibilities are endless and potentially very valuable.

How do any of these applications ever work correctly?

Typically, each of these applications stores the organization structure *as it relates to their application* separate from the enterprise-wide structure. When this occurs, there is much duplication of effort between applications for the overlapping relationships. Also, there is much less chance that the information will be maintained and kept current, as point solutions are normally not updated to reflect personnel movement and corporate restructurings.

But the short answer is: *they often don't work as well as they should.*

It is important that this information be kept in a centralized repository, and published to any applications requiring it. The best place for this information is in the human resource management system (HRMS), because that is the repository of all other worker indicative data.

That's all well and good, but this information is constantly changing. How do I keep it current?

Human Resources – An HR generalist is typically the person who processes transactions involving the movement of a person through the company. When a person is hired, promoted, or transferred, the HR generalist can adjust reporting relationships, in multiple contexts, while modifying other job-related information. In addition, a robust organization modeling solution will contain rules that apply to the reporting contexts in which the person participates. For instance, let's refer back to the example cited earlier. A manager is designated as the supervisor of all accountants in the Prague office. Processing the transfer of an accountant from the Prague office to the Zurich office will generate a warning, indicating to the HR generalist that the transfer action will have an impact on the employee's reporting relationships.

Mass Change – During reorganizations, it is essential that HR has a mass change capability to support quick and effective organizational restructurings. This involves the grouping of workers based on rules. Utilizing a “what if” capability, HR can model the change before applying it. The rules can evolve as companies become more mature with the process, and begin to understand the organizing principles of the company.

Employee/Manager Self-Service – Who is better equipped to maintain a worker's reporting relationships than the people closest to them? Each employee should have visibility to all of the reporting contexts in which they participate. If they notice a discrepancy, they can initiate a change. The change will have to be approved by both the “losing” and “gaining” managers. Once approved by both, the change becomes part of the employee's record.

If a manager wants to “pull” an employee from a different manager, or “push” one to another manager, they can initiate such a transaction, which would have to be approved by the other manager to take effect.

Visualizing the Organization

To get the most out of the worker relationship information, it's necessary to be able to visually “see” the organization structure. In a multi-dimensional model of the organization, many traditional organization charting tools are inadequate. In addition, matrix or “peer-to-peer” structures are often either misrepresented as hierarchies, or not included in org charting software. Org charting software vendors will have to wake up to these realities if they are to provide useful tools.

Where to go from Here?

Recently, organization modeling solutions from several vendors have appeared on the market. Organization modeling can be useful as a tactical aid to other mission-critical applications, *and* as part of a strategy to more effectively automate the enterprise. Maybe you didn't know you needed it, but without it, many applications will continue to work sub-optimally.

About the author:



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