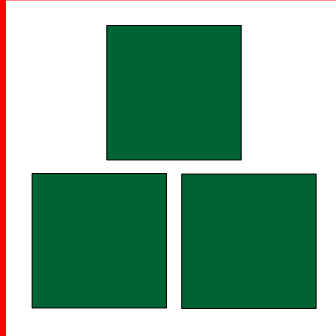


# ORGANIZING FUNCTIONAL KNOWLEDGE AND TECHNICAL SKILLS TO DELIVER VALUE



NIGEL A.L. BROOKS

THE BUSINESS LEADERSHIP DEVELOPMENT CORPORATION

Article reprint

## **ORGANIZING FUNCTIONAL KNOWLEDGE AND TECHNICAL SKILLS TO DELIVER VALUE**

*A frequent issue facing entrepreneurs and executives alike is how to organize an enterprise. There are many options including those based upon product lines, business lines by markets, and business units by industry. However the process starts by properly identifying the functions - areas of subject matter expertise that are relevant to earning value.*

The domain competencies of individual employees represent the specific knowledge and technical skills that are required to perform activities. Domain subject matter areas include legal, finance, human resources, information technology, program management, engineering, operations, and business development. These knowledge-related activities can be grouped together to form the first level of organizational structure within an enterprise - the enterprise function model.

Processes and functions are components of the infrastructure of an enterprise. Functions house the knowledge and technical skills of an enterprise; processes represent the activities to turn knowledge and skills into value. Processes are horizontal, flowing through the enterprise, and functions are vertical. Macro processes cross functions whereas micro processes are contained within functions.

*Enterprise function model...*

Every enterprise has three macro functions: Governance, Administrative, and Operational, whether management chooses to specifically identify them or not. They form the basis for the enterprise function model. Each macro function decomposes into micro functions, which in turn can further divide into subfunctions.

The Governance function, which consists of the board of directors and the chief executive of a corporation, the members of a limited liability company, or a sole proprietor, has the ultimate responsibility for the enterprise to its investors.

The Administrative and Operational functions are headed by top-level executives.

The Administrative functions include legal, finance, human resources, and information technology; the Operational functions include operations and business development.

The finance function includes the treasury (funds management) and control (financial, managerial, and regulatory accounting and reporting). The operations function includes procurement, manufacturing (or its equivalent in non-manufacturing enterprises), and distribution. The business development function includes marketing, sales, and service.

There are two additional functions that must be considered in any organizational design - the "enterprise" function and the research and development function.

The enterprise function (Administrative) is where activities such as support for planning and policy development and performance measurement, brand management, facilities management, relations (community, government and investor), ombudsman, and internal audit are housed. It provides support to the Governance function. It may be consolidated as one, or split into many. It is rarely called the "enterprise" function, so that term is purely descriptive.

The research and development function (Operational) houses program management and engineering expertise. It relies upon "cross-functional" participation from elsewhere in the enterprise. It is heavily "project-oriented" focusing on market, product and/or service, and infrastructure-related activities. Employees should be rotated in and out of the research and development function so that a real-world orientation is always present, as opposed to purely a laboratory environment.

Any of these functions can be insourced or outsourced depending upon the core competencies of the enterprise, although the ultimate responsibility must remain in-house. An argument can be made that the responsibility for marketing must always be in-house, because without marketing, nothing else in the enterprise matters. This is why there is a tight relationship between strategy and marketing.

### *Organizational structure...*

A functional organization is suitable for emerging enterprises and small businesses. As an enterprise grows into multiple markets and product lines, more complex organizational structures are required.

As organizational structures become more complex, so does the risk of the formation of "silos." Silos create barriers to communication and teamwork between functions.

In larger enterprises, organizational units may be made up of divisions, departments, branches, and plants. Units may be further be organized into product lines, business lines by geographic and demographic markets, and business units by industry.

Domestic geographies include North, East, South, West, and Central; and global geographies include Americas; Europe, Middle East and Africa; and Asia-Pacific. Demographics include individuals (consumers) and enterprises (commercial, corporate, industrial, financial, and government). Industries include (but not limited to) manufacturing, merchandising, credit, and services.

In general, it is better to keep a segregation of duties between the Administrative functions and the Operational functions to avoid conflicts of interest. The exception is the research and development function, which should involve cross-functional participation. Whereas the program management and engineering subfunctions may be staffed permanently, all other employees should be rotated in and out to encourage the sharing of experience across the enterprise.

Every employee should have the opportunity to rotate among functions over time so to broaden knowledge and skills, and build cross-functional teamwork.

For example, the activities of the finance function should be kept separate from the operations and business development functions, so that all payables and receivables processing is kept separate from the individuals that generate the transactions.

### *Enterpriship...*

A key success factor in designing the enterprise function model is to ensure that it embraces the knowledge and skill requirements to deliver value in compliance with all laws, regulations, and best practices, and that there is no redundancy.

Designing and deploying the enterprise function model is an enterpriship (entrepreneurship, leadership, and management) competency and is usually performed in conjunction with enterprise process model design to ensure that value is earned effectively and efficiently.

\* \* \*

*For more information...*

For information about audiobooks, books, earticles, ebooks, and eseminars offered by The Business Leadership Development Corporation visit [www.etailia.com](http://www.etailia.com)

For more information about the discipline of enterpriship visit [www.enterpriship.com](http://www.enterpriship.com)

To assess your individual competencies in thirty minutes or less, claim your opportunity for instant access when you go to [www.individualcompetencies.com](http://www.individualcompetencies.com)



*About Nigel A.L Brooks...*

Nigel A.L Brooks is a management consultant to entrepreneurs, business enterprise owners, executives, and managers, and the enterprises they serve. He specializes in developing the entrepreneurial, leadership, and managerial competencies that build sustainable advantage from vision to value. He is an author and a frequent speaker.

He obtained his professional experience as a partner at Andersen Consulting (now Accenture, Ltd.), as a vice president at Booz Allen Hamilton, Inc. (now Booz and Company), as a senior vice president at the American Express Company, as president of Javazona Cafes, Inc., and as president of The Business Leadership Development Corporation. He has been a contributing editor for the Bank Administration Institute magazine, and has served on boards of entrepreneurial networks. He was educated at the University of Exeter, Devon, United Kingdom.

His clients are in the financial services, food services, high-tech, manufacturing and distribution, pharmaceuticals, oil and gas, professional services, retail and wholesale, transportation, and government industries.

He has experience in North and Latin America, Europe and Asia-Pacific.

**[www.nigelalbrooks.com](http://www.nigelalbrooks.com)**

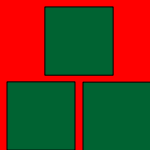
*About The Business Leadership Development Corporation (BLD)...*

The Business Leadership Development Corporation is a professional services firm that works with entrepreneurs, lifestyle business enterprise owners, executives, and managers, and the enterprises they serve.

BLD develops entrepreneurial, leadership, and managerial competencies that achieve performance excellence by *building sustainable advantage from vision to value*™ through:

- Strategic Management Consulting
- Executive Coaching and Mentoring
- Professional Training via The Center For Business Leadership Development (CBLD)
- Motivational Speaking

**[www.bldsolutions.com](http://www.bldsolutions.com)**



THE BUSINESS LEADERSHIP DEVELOPMENT CORPORATION

13835 NORTH TATUM BOULEVARD 9-102

PHOENIX, ARIZONA 85032 USA

[www.bldsolutions.com](http://www.bldsolutions.com)

(602) 291-4595