

Process Cascade- and Segmentation-Based Organizational Design: A Case Study

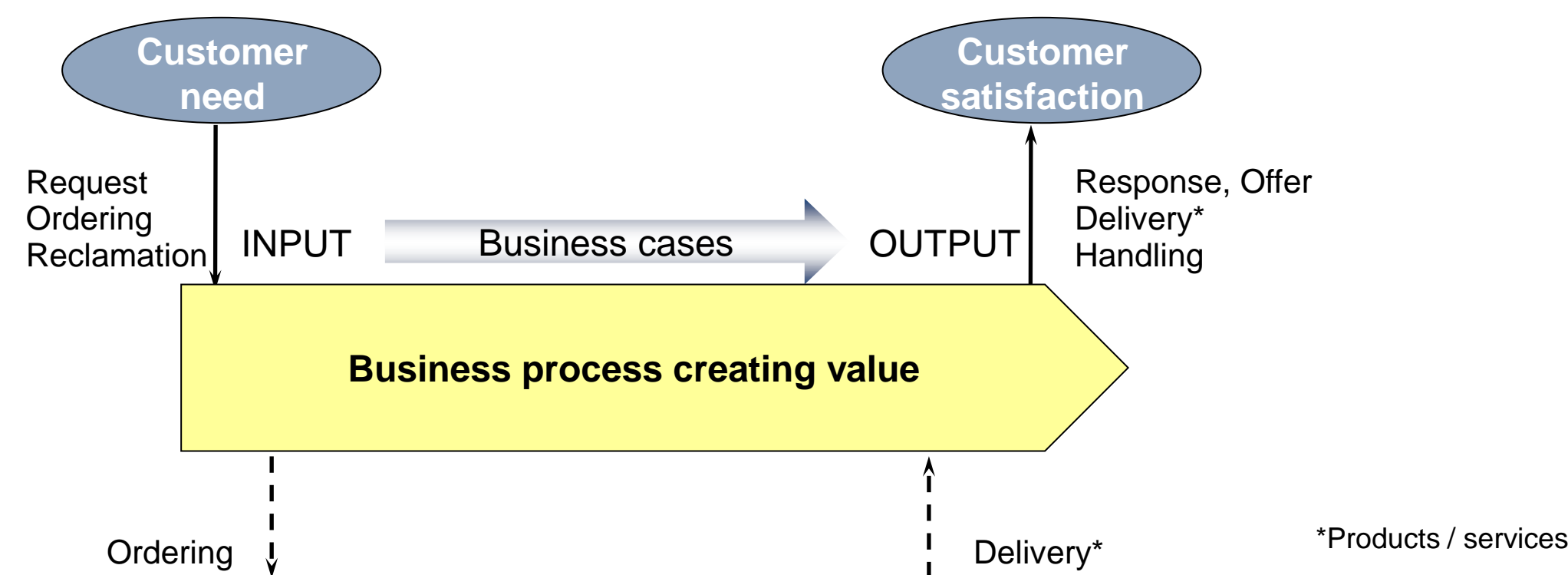
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INTRODUCTION

A central question in strategic management research is: How do firms achieve sustainable competitive advantage? According to the resource-based view (RBV) of the firm, organizations in the same industry perform differently because they possess different resources and capabilities. Organizational processes have emerged as critical building blocks in these difficult-to-imitate capabilities. At the same time, a focus on organizational processes has increased in managerial practice.

Business process orientation means

- focusing on business processes ranging from customer to customer
- making business processes the platform for organizational structure, strategic alignment, and information technology.

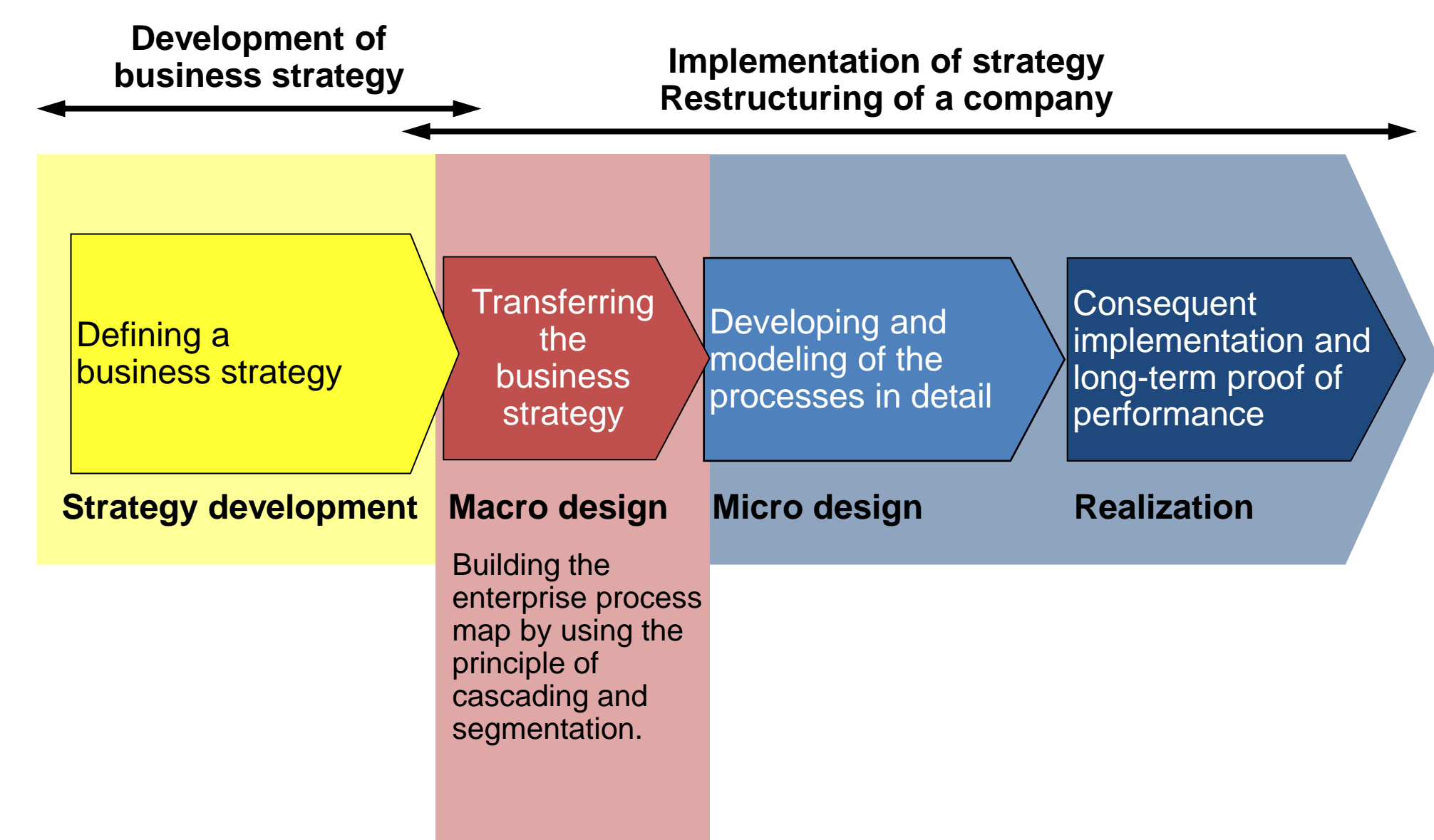


MACRO MODELING

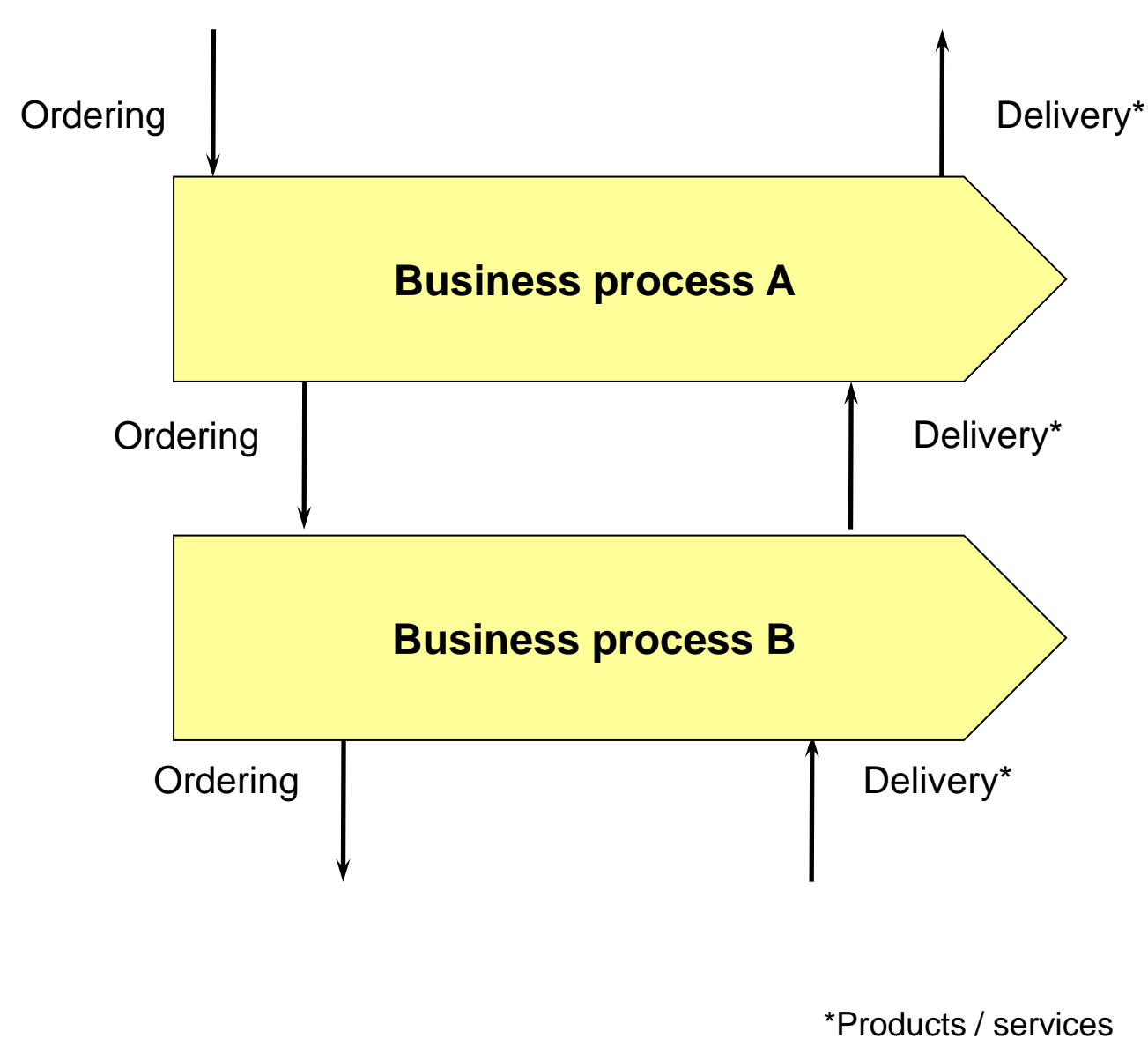
Based on a formulated business strategy, the macro model of the organization is developed (by using the principle of process cascading and segmentation).

In the micro design step, individual business processes are modeled in detail.

In the last step, the new business processes are implemented in the organization.



CASCADING BUSINESS PROCESSES



Process cascades address the problem of optimal labor division between organizational units.

The collaboration between processes works best when there are customer-supplier relationships between the processes.

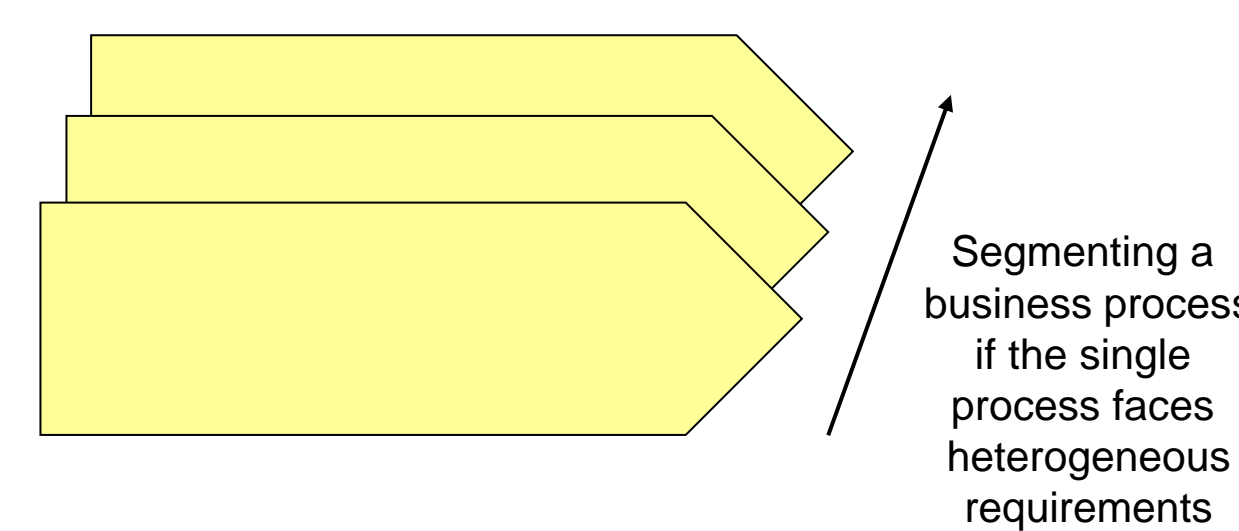
Clearly defined interfaces substantially reduce the effort of coordination and complexity.

A process cascade is a result of the systematic application of the customer-supplier principle.

Activities across the interface of two business processes are worked on in a factual and chronological manner:

1. An order (e.g. a request, commission or complaint) is placed by the client (business process A).
2. The contractor (business process B) carries this order over from the client and executes it.
3. The delivered output (e.g. a reply or execution result) has to be taken into charge and accepted by the client.

SEGMENTING BUSINESS PROCESSES



To optimally satisfy the market and customer needs, it can be necessary to deflect from the standard case and introduce different variants of processes.

Causes can be e.g.

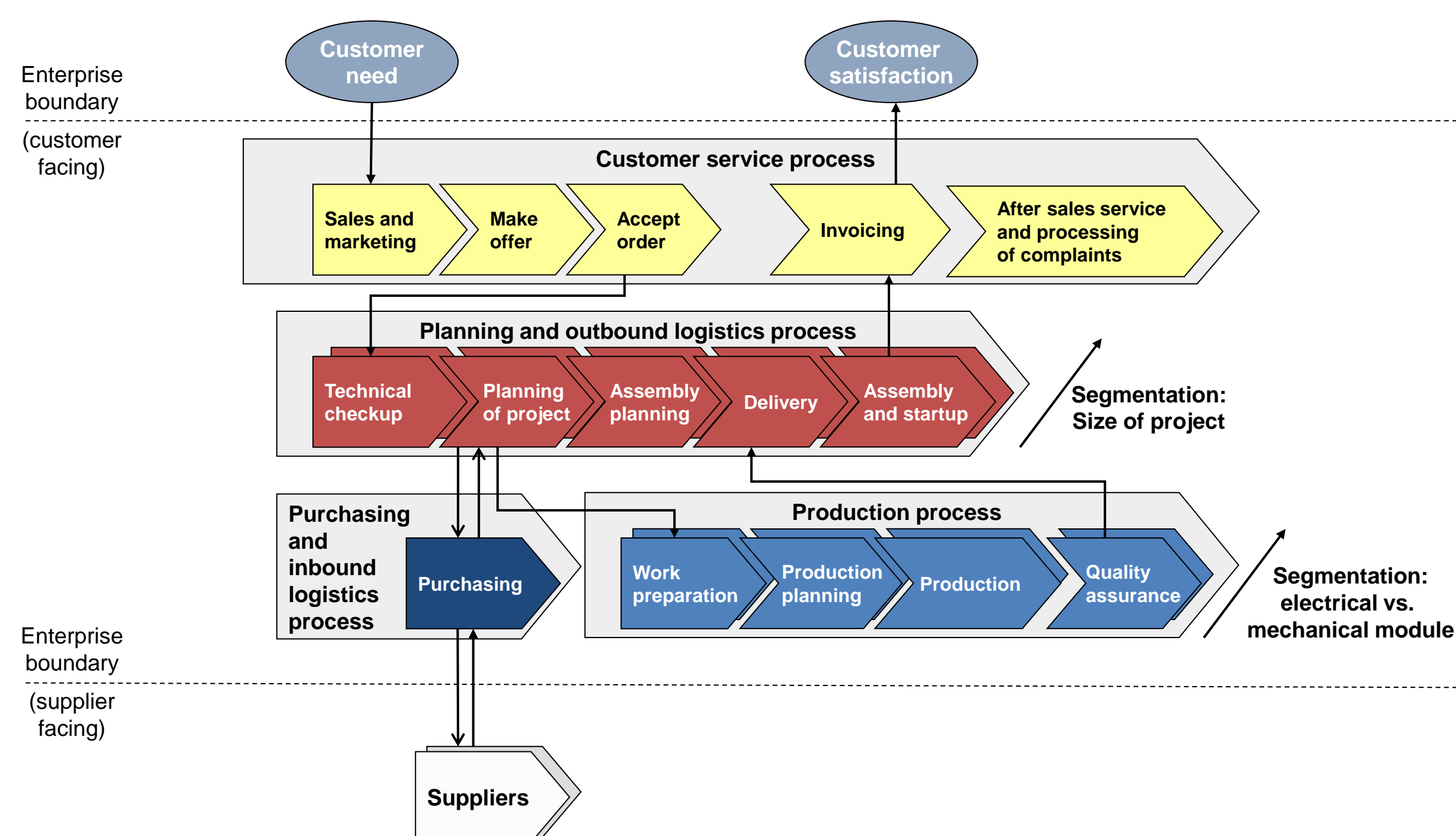
- varied customer structures,
- a broad product range,
- geographical characteristics,
- different potentials of standardization and automation
- or different inputs.

Handling business cases depending on their characteristics through alternative forms of execution within specific (sub-) processes allows better addressing the particular customer requirements.

This reduces the complexity within the original process.

As a result, business case- or customer-specific processes are constructed which are called process segments.

CASE STUDY: A MEDIUM-SIZED MANUFACTURER WHICH PRODUCES HEATING SYSTEMS



We apply the principle of business process cascading and segmentation to a medium-sized Austrian firm which produces heating systems. The firm operates on a make-to-order principle. The created macro model of the organization consists of four business processes:

1. the *customer service process* (sales, marketing and offer making)
 - Accepts the order from the external client and places itself an internal order to the second business process.
 - Performs the invoicing after the system has been started up onsite.
 - Takes care of after sales service and processing of complaints.
2. the *planning and outbound logistics process* (technical checkup, project and assembly planning, delivery, assembly and startup)
 - Segmented using the size of the projects as a criterion. The first process variant carries out smaller projects, and the second process variant is thought to work with larger projects.
 - Places an order to the third business process when performing the planning activities.
 - Places an order to the fourth business process after the components have been delivered.
 - Delivers, assembles and starts up the system after it has been manufactured.
3. the *purchasing and inbound logistics process* (purchases components from different external suppliers)
4. the *production process* (work preparation, production planning, the manufacturing itself, and quality assurance)
 - Segmented according to the module type to be produced. The first process variant establishes the electrical module of the heating system while the mechanical module is produced by the second one.

CONCLUSION

An organizational design based on cascading and segmentation of business processes (as shown in the case of the Austrian manufacturer) entails

- modularity,
- clear responsibilities,
- clear interfaces,
- and internal customer orientation.

This principle frees the organization from unclear responsibilities and non-value-adding activities and introduces transparency in the organization.

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