THE LEADING PRACTICE ENTERPRISE TIER REFERENCE CONTENT

Version Status: LEAD 4.0

Contents

Introduction

Categorization and classification has been around for a very long time. Classical categorization first appears in the context of Western Philosophy in the work of Plato,[1] who, in his Statesman dialogue, introduces the approach of grouping objects based on their similar properties.[2] This approach was further explored and systematized by Aristotle in his Categories treatise, where he analyses the differences between classes and objects.[3] Aristotle also intensively applied the classical categorization scheme in his approach to the classification of living beings (which uses the technique of applying successive narrowing questions such as "Is it an animal or vegetable?", "How many feet does it have?", "Does it have fur or feathers?", "Can it fly?"...), in this way establishing the basis for the formulation of natural taxonomy. The use of classification is an important tool in science. The use of classification reduces the complexity of a body of work easier as it exposes patterns and structures to provide a clearer picture of the area of interest, serving to assist in understanding the relationships, and acting as a baseline for

Thinking and working in enterprise tiers is not a new concept, however as business becomes more complex, the classification of the enterprise into strategic, tactical and operational aspects becomes a tool to understand the enterprise as a whole.

Enterprise tiers and competencies

Within business modelling a common way of working in enterprise tiers is to classify the organization according to the organizational competencies by the accountability level of strategic, tactical and operational. By employing such an enterprise tiering concept, executives can begin to envision how current business competencies might function as an interlocking set of modules. Categorizing activities by business competency yields a high-level view of competencies according to the type of value they provide to the enterprise. Different firms in different industries model their competencies differently, but in every case, each activity should line up under a particular competency. Assigning each competency to one of three enterprise tiers — strategic, tactical, and operational — can also help executives begin to flesh out the business

1. Strategic

Competencies at this level provide strategic direction, planning, and corporate policy to other competencies. They also facilitate collaboration with other competencies. These strategic competencies provide the business actions that drive strategy, planning, budgeting, forecasting as well as value planning in the enterprise.

2. Tactical

These mid-tier competencies serve as control, monitoring, checks, and balances between the strategic and operational levels. They monitor performance, manage exceptions, and act as gatekeepers of assets and information. These tactical competencies provide the business actions that drive performance aspects, monitoring, and governance in the enterprise.

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[1] Cohen, H., & Lefebvre, C. (Eds.). (2005).Handbook of Categorization in Cognitive Science. Elsevier
[2] http://oll.libertyfund.org/index.php?option=com_staticxt&staticfile=show.php%3Ftitle=166&Itemid=99999999
[3] Cohen, H., & Lefebvre, C. (Eds.). Ibid.

3. Operational

These low-level competencies provide the business actions that drive value identification and creation in the enterprise. They process assets and information for use by other competencies or the customer.

Figure 1: Example of competencies found within the enterprise tiers

Enterprise tiers and strategy execution

Thinking and working in enterprise tiers is also used within strategy execution, where executives and management relate their strategic business objectives, critical success factors and performance indicators across the enterprise tiers. By employing such an enterprise tiering concept to strategy execution, executives enable the organization to see how the various goal and objectives relate to each other. Categorizing goal and objectives together also enables the view of how value indicators and performance indicators concepts fit together to manage the strategy execution (see figure 2). While various organizations in different industries model their strategy execution differently, but in every case, each of the goal and objectives should line up under a particular strategy that needs to be executed.

Tiers	Focus Area	Measurement
Strategic	SBO (Strategic Business Objective)	BPI (Business Performance Indicator)
Tactical	CSF (Critical Success Factor)	
Operational		KPI (Key Performance Indicator)
		PPI (Process Performance Indicator)
	Value Indicators	**Performance Indicators**

Figure 2: Example of goals and objectives found within the enterprise tiers

Enterprise tiers and decision making

Decision making is a process of making choices from alternative courses of action, based upon factual and value premises with the intention of moving towards a desired state of affairs. Once a decision is taken, it implies commitment of competencies, goal and objectives.

The decision that a manager has to take may range from setting of goals and targets for the entire business enterprise to specific decisions regarding day-to-day activities. Some of them may have only short-term implications, while others may have long-term implications on the enterprise. From these points of view, manage-rial decisions can be broadly classified into three enterprise tiers, namely, strategic, tactical and operational decisions.

Strategic decision: This Tier affects the entire direction of the firm. An example may be the Mission, Vision, Strategic Business Objectives (SBOs) and the specific Business Performance Indicators (BPIs) and the business plans. The strategic tier has the long term, complex decisions made by executives and senior management and the measurement reporting view used is for the most scorecards.

Tactical decisions: The aspects at this tier are more medium term, thereby less complex decisions made and mostly by middle managers. They follow on from strategic decisions and aim to meet the critical success factors, the way to do this is for governance, evaluation, reports, control and monitoring and the measurement reporting view used is for the most dashboards.

Operational decisions: At this tier the decisions are day to day decisions made by operational managers that are simple and routine and the measurement reporting view used is for the most cockpits.

Enterprise Tiers and Business Processes

Not all processes are created equal. Some processes are of more strategic nature, while others on tactical or operational nature. Understanding the nature and importance of processes is therefore central to effective process management and the basis to develop a successful business process management basis. Therefore in addition to the before discussed enterprise tier tagging in terms of process classification and process categorization, can processes be tagged according to their strategy, tactics, and operational tiers. The reason why this applies to all processes is the fact that all processes exist within the strategic, tactical, or operational aspects of the organization.

As demonstrated in figure 3, besides the ability to classify the processes according to strategic, tactical and operational processes, and really relate the processes to the right accountability level, ideal for process ownership, process governance, process analytics and reporting, does the tier tagging enable to display the process, information or the service flow between the enterprise tiers. Making the tier process tagging a real powerful tool
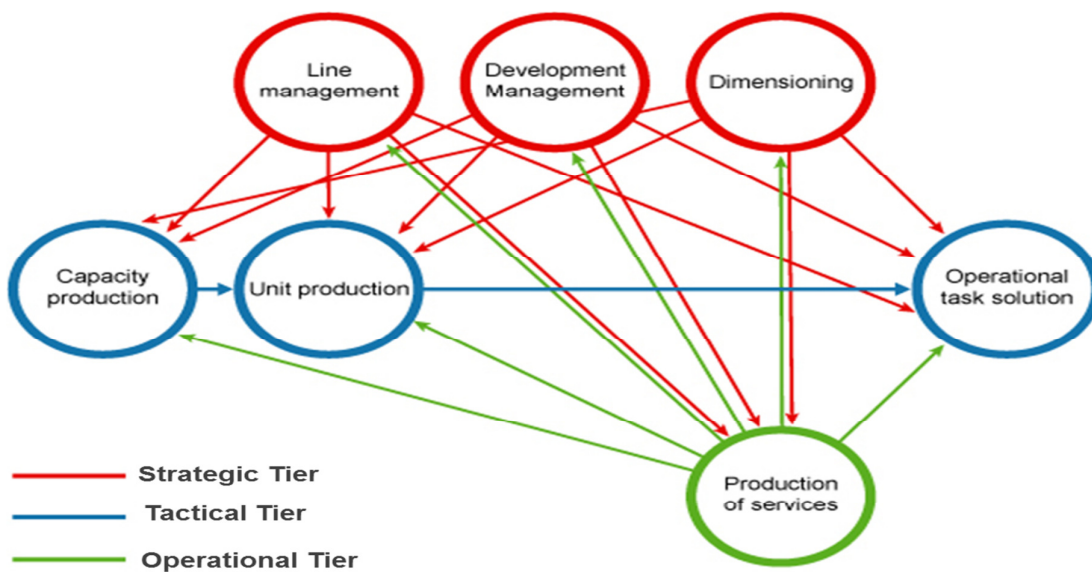

Figure 3 Example of the 'Enterprise Tiers' and the relations across the tiers

In figure 4 is a more detailed example of how the tagging of the processes according to strategic, tactical an operational is an ideal way to go across end2end processes and see connections of the different tiers

Tiers	Business Process	Process Step	Business Process Activity	Solution Area	WorkFlow
1. Strategic	Develop and manage strategies	Develop HR strategy	Identify strategic HR needs	Portal	End-to-end Process Integration
2. Tactical	Manage treasury operations	Manage treasury policies and procedures	Develop and confirm internal controls for treasury	ERP	Human capital management
2. Tactical	Manage IT knowledge	Develop IT knowledge management strategy	Plan IT knowledge management actions and priorities	ERP	Corporate services
2. Tactical	Dispose of assets	Dispose of product/service assets	Perform sale or trade	Portal	User Product/serviceivity Enablement
2. Tactical	Develop product and services	Design, build, and evaluate product and services	Build prototypes	ERP	Corporate services
2. Tactical	Develop and maintain information technology solutions	Develop the IT development strategy	Establish sourcing strategy for IT development	ERP	Corporate services
3. Operational	Develop and maintain information technology solutions	Develop the IT development strategy	Define development processes, methodologies, and tools standards	ERP	Corporate services
3. Operational	Manage taxes	Develop tax strategy and plan	Develop foreign, national, state, and local taxstrategy	ERP	Corporate services

Figure 4 Detailed example of sorting the processes according to the enterprise tiers

Conclusion

In this paper we elaborated on how categorizing and classifying various aspects into enterprise tiers of strategic, tactical and operational aspects becomes a tool to understand the enterprise as a whole. The three tiers imply different priorities. At the operational level, for example, the emphasis is on organizational competencies, strategy execution and measurements, is about keeping people fully occupied and productive. From a technology standpoint speed of data entry and real-time availability are important. Contrast this with aspects related to the strategic tier, where such high-level aspects as strategic planning and launching new business units are handled. This level houses a small number of people who have a very large impact on shareholder value. Launching a new business unit/area requires collaboration among several elements, including marketing, risk, finance, regulations, and credit. Input from all of these stakeholders is needed to make the launch a success, so workflow is a key requirement. From a technology standpoint, activities typically require people (resources) and capabilities to discern patterns and trends from rich, multidimensional data, usually stored in a data warehouse. Systems at the strategic level are not designed for speed of data entry, but rather for ease, breadth, and depth of analysis. Real-time interfaces are not needed, because data is often months old and processed in batches. To drive as much revenue, value creation, and realization as possible from business model competency development, only core competitive and core differentiated competencies across the firm are aggregated. It is an organization's ability to execute strategy within ones core critical competencies and the ability to make decisions that enable an organization to outperform its rivals. Therefore in thinking and working in Enterprise Tiers the following concepts illustrated in figure 3, can be used together
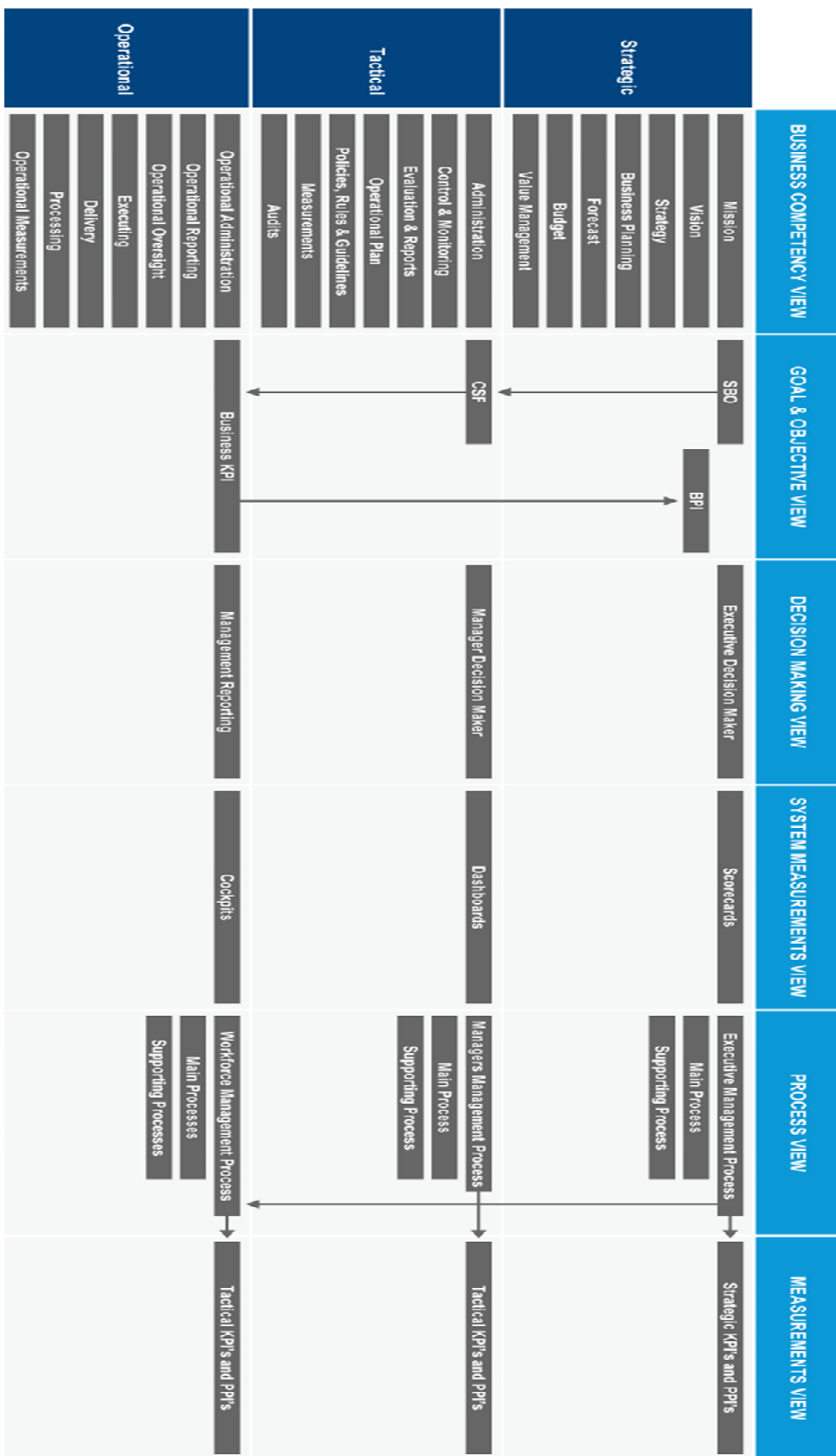
Figure 3, example of various Enterprise Tier concepts that can be combined.

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