

**MARIANN SOMOSI VERES**, PhD Associate Professor, Head of Institute, vice-dean University of Miskolc Faculty of Economics Institute of Management Science, Hungary

## **A POSSIBLE MODEL OF ORGANIZATIONAL DEVELOPMENT AND DEVELOPMENT OF ORGANIZATIONAL CAPABILITIES<sup>1</sup>**

Управління бізнесом найбільше успішних компаній - результат процесів, організаційна структурна дія підтримки систем і працівників, які з'являються в організаційні можливості компанії, що координується. В межах бізнес-процесів, це включає розвиток і безперервне удосконалення ключових внутрішніх правил і правил, розділяючи дію і відповідальність, дію очікувань і основні контрольно-перепускні пункти для організаційних одиниць, створення найбільше важливих технічних умов, удосконалення знання людського ресурсу і навичок в межах бізнес-процеса і поміщаючи все вище в обслуговуванні стратегічних цілей, в яких розвиток компетентності, виконавські адміністративні системи і знание-разделяя техніка грають ключову роль.

Управление бизнесом больше всего успешных компаний - результат процессов, организационное структурное и координирующееся действие поддержки систем и работников, которые появляются в организационные возможности компании. В пределах бизнес-процессов, это включает развитие и непрерывное усовершенствование ключевых внутренних правил и правил, разделяя воздействие и ответственность, действие ожиданий и основные контрольно-пропускные пункты для организационных единиц, создания больше всего важных технических условий, усовершенствование знания человеческого ресурса и навыков в пределах бизнес-процесса и помещая все выше в обслуживании стратегических целей, в которых развитие компетентности, исполнительские административные системы и знание-разделяя техники играют ключевую роль.

The business management of most successful companies is a result of the processes, organizational structure and coordinated operation of supporting systems and employees, which appear in organizational capabilities of the company. Within the business processes, this includes development and continuous improvement of key internal rules and regulations, sharing impact and responsibility, operation of expectations and basic checkpoints for organizational units, creation of most important technical conditions, improvement of human resource knowledge and skills within the business process and putting all the above in service of strategic goals, in which the competence development, performance management systems and knowledge-sharing techniques play a key role.

**Key words:** organizational capabilities, organization development, method-choice criterion system, typology of work organizations, metaphoric approach to an organization

---

<sup>1</sup> The described work was carried out as part of the TÁMOP-4.2.1.B-10/2/KONV-2010-0001 project in the framework of the New Hungarian Development Plan. The realization of this project is supported by the European Union, co-financed by the European Social Fund.

The concept of organizational development undergoes a significant transformation nowadays; there is a serious role of the fact that expectations of companies concerning organizational development have increased. The emphasis is increasingly shifting towards the implementation of changes that supports the achievement of strategic goals, providing the largest added value within a tolerable period of time. From a financial point of view, the attention shifts towards detectable effectiveness and promptness. The leading domestic and international companies possess such appropriately detailed strategies that show in the hierarchy of goals elements focusing on financial effectiveness, internal organizational standards, employee competencies and customer satisfaction. In order to justify that, enterprises assess regularly, on the one hand, their own previous performance, on the other hand, they compare themselves with competitors taking into account the market environment. When giving answers to these tests, it is important that the answers not only exist at the organizational level but also provide guidance for the staff to clarify the requirements and plan individual contributions.

The elements determining organizational capability are illustrated in Figure 1.



Figure 1- Constituents of organizational capability (own edition)

Based on these, it is apparent that the task to create an organization that would meet the expectations listed above is very complex. Most managers can feel it when the organization under their control does not work well, but only few of them know how to improve the situation. A radical reorganization has a rather intimidating effect. On the one hand, it is accompanied by continuous balancing of advantages and disadvantages, negotiations and infinite series of creation of different versions. On the other hand, it has divisive effect and often leads to personal conflicts and power games. Thus, when organizational problems arise, managers often focus on the most important weaknesses, while the entire structure is made more "shapeless" and less strategic in nature.

Typical factors of restricting the adequacy of organizational structure are as follows:

- organizational structures rarely result from a systematic, methodical planning;

- the fragmentary nature of structures is a constant source of frustration for top-level managers;
- skirmish between different business areas limiting cooperation and information sharing of each other;
- too complex structures;
- the operation is controlled much more by the current policy than by control principles;
- blockage of strategic initiatives due to the fragmentation of responsibilities;
- loss of promising possibilities due to the lack of managerial attention.

Due to these factors, environmental changes in a short matter of time make the companies and institutions review their strategies, structures, and change. The management often does not have reliable instruments and methodological knowledge for complex organizational rearrangements, for systematic, regular mapping and logical structuring of the company and – within that – areas (organizational units) being in critical situation. Therefore, decisions are often based on intuition and individual ideas.

Such structured transformation of a possible model of organization is presented below, which in my opinion, carries the possibility of enlargement, which may be suitable for capability development support.

In order to differentiate the model development, the preparation of typology of work organizations is required, which allows to specify and build-in new areas of investigation. When defining organizational characteristics, the considerations of empirical studies were taken into account as well (Table 1).

In order to refine the way of thinking, the specific approaches of Morgan (1986, 1998; Klein, 2001) have been improved; to present the essence of an organization graphically, metaphors are called for help (Figure 2). When characterizing an organization, metaphors, on the one hand, expand our thinking, provide deeper understanding and a new approach, on the other hand, they may be one-sided and repulsive. The display importance is that the metaphors created from an organization are powerful tools in understanding single elements of a complex phenomenon, but we get closer to the phenomenon as a whole only if we are capable of displaying these elements alternately or simultaneously and pushing ourselves off single approach. In my opinion, during the development of organizational capabilities the separation from conventional thinking is well supported by a metaphorical approach.

Within the world-wide, almost fierce market competition, companies tend to feel and recognize that within a very short matter of time they may lose their "traditional" competitive advantage resulted from the development, excellent quality, their services, products and technologies, etc. In this way, it gets into their field of view that a more durable competitive advantage can be acquired through competencies. The corporate/institutional competencies make the enterprise competitive only if it is able to show such value producing, personal and group competencies together with skills, which – due to their uniqueness and perfectness – are inimitable by competitors.

Nowadays, due to the effect of economic, political, technological and information globalization, the primary interest of not only large, but small and medium-sized enterprises is efficiency increase, cost reduction, improved resource concentration and allocation, which can be achieved mostly by improvement of competencies and capabilities.

In my opinion, the capability development does not logically differ from the classical process of organizational development; at the same time, we can find common elements and completely different, novel approaches and different emphases within the content of individual phases. The differences in the content of the two processes – organizational development and capability improvement – are presented in Figure 3 as part of the classical process model of organizational development. Within the process model, differentiated presentation of the differences can be realized at the phase of identification of problematic areas, mapping of characteristics of the qualifying system and selection of organization analytical method.

During identification of problematic areas, the organization developing elements are complemented by standpoints characterizing the judgment of capability improvement, ensuring a new approach in thinking.

When recording the initial situation, the areas determining organizational capabilities are shown.

One of the critical elements to successfully carry out the work on organizational development and capability improvement is the successful performance of the analysis.

What are the key features of the analysis process? First of all, it should contain the designation of boundaries of the situation study, that is an accurate definition of the test subject, and then make a distinction between the state and operation test. The actual structure of each organization – whether it is created as a result of conscious or spontaneous interventions – determines essentially the operation rules, the effectiveness together with the limits. Their study and recognition is a prerequisite of effective search for solution. Accordingly, there are so-called state-dependent failure reasons, which depend upon the level of organization of the tested subsystem/sub-capability. These error factors can be identified as a result of comparative measurement with recognizable effective organizational solution in the given area.

Table 1. Typology of work organizations (own edition)

Type of organizational structure Organizational characteristics	Traditional			Divisional	Two- and multidimensional			Dual		Project	Network
	Linear	Self-Organization	Functional		Matrix	Tensor	Strategic Business Unit	Team	Project		
Pre-conditions of formation and effective operation	Stable scientific, technical and technological in order environment. Relatively transparent production service structure, not too wide product service structure			Wide product range, heterogeneous product or service structure Possibility to develop product families Relatively dynamic environment	Dynamic, heterogeneous external environment Complex tasks within the organization Task sharing based on different principles Developed communication readiness of organization members	Heterogeneous environment within enterprise Diverse product and production structure Secondary structure built on the primary structure Production service structure			Heterogeneous environment within enterprise Diverse product and production service structure		Willingness to cooperate
Type of subordination connections	Clear	Shared	Overlapped	Shared	Bidirectional subordination Multidirectional subordination	Hierarchical subordination			Hierarchical levels partly overlapped	Multidirectional subordination	Built on voluntary membership
Formability of professional contacts	Encounters communication barriers	Coordination of strategic and operative levels	Negotiation difficulties in adjacent areas	Encounters communication barriers	Organizes on the basis of professional contacts						Basic driving force
Separability of routine and innovative activities	Fuzzy	Strongly separable	Concentrated on top management	Directed to goal	Clearly separates				Integrates on the basis of creation		The members are well differentiated
Formation of cross-sectional functions	Results in increase of centralization degree			Possible	Form a center by creation of cross-sectional functions						
Reducibility of subordination steps	Results in increase of width fragmentation		Leads to concentration of functions	Possible being directed to goal	Subordination levels are controlled by innovation chain				Partly or fully on the basis of the subordination system (periodically)	Subordination levels are controlled by innovation chain	-
Specialization possibility	Restricted			Possible being directed to goal	Possible being directed to goal				Possible being oriented to goal and task		Essential operation element determining goal
Possibility of scope sharing	Centralized decision authorities Total regulation	Fits to the task scope	Centralized decision authority Total regulation	Decentralized decisions in relation to headbody division Centralized decisions within division	Diverse bound scope interactions (overlapped regulation) Centralization of decisions Lower level formalization				Double scope sharing → double hierarchy Decentralization of strategic decisions	Diverse bound scope interactions Lower level formalization	Double hierarchy based on contract

Table 1 (continued)- Typology of work organizations (own edition)

Type of organizational structure Organizational characteristics	Traditional		Divisional	Two- and multidimensional		Dual			Project	Network
	Linear	Staff Organization		Functional	Matrix	Tensor	Strategic Business Unit	Team		
Pre-conditions of formation and effective operation	stable scientific, technical and technological market environment, relatively transparent production/service activities, not too wide product/service structure		Wide product range, heterogeneous product or service structure Possibility to develop product families Relatively dynamic environment	Dynamic, heterogeneous external environment Complex tasks within the organization Task sharing based on different principles Developed communication readiness of organization members	Heterogeneous environment within enterprise Diverse product and production structure Secondary structure built on the primary structure	Heterogeneous environment within enterprise Diverse product and production/service structure			Willingness to cooperate	
Type of subordination connections	Clear	Shared	Shared	Bidirectional subordination	Multidirectional subordination	Hierarchic levels partly overlapped		Multidirectional subordination	Built on voluntary membership	
Formability of professional contacts	Encounters communication barriers	Coordination of strategic and operative levels	Encounters communication barriers	Organizes on the basis of professional contacts						
Separability of routine and innovative activities	Fuzzy	Strongly separable	Directed to goal	Clearly separates	Integrates on the basis of creation	Creates being directed to goal			Basic driving force	
Formation of cross-sectional functions	Results in increase of centralization degree		Possible	Forms a center by creation of cross-sectional functions						
Reducibility of subordination steps	Results in increase of width fragmentation	-	Possible being directed to goal	Subordination levels are controlled by innovation chain	Partly or fully out of the subordination system (periodically)	Subordination levels are controlled by innovation chain			-	
Specialization possibility	Restricted		Possible being directed to goal	Possible being oriented to goal and task						
Possibility of scope sharing	Centralized decisive authorities Total regulation	Fit to the task scope	Decentralized decisions in relation to head-body division Centralized decisions within division	Dimension bound scope interactions (overlapped regulation) Centralization of decisions Lower level formalization	Double scope sharing → double hierarchy Decentralization of strategic decisions	Dimension bound scopes interactions Lower level formalization			Double hierarchy based on contract	

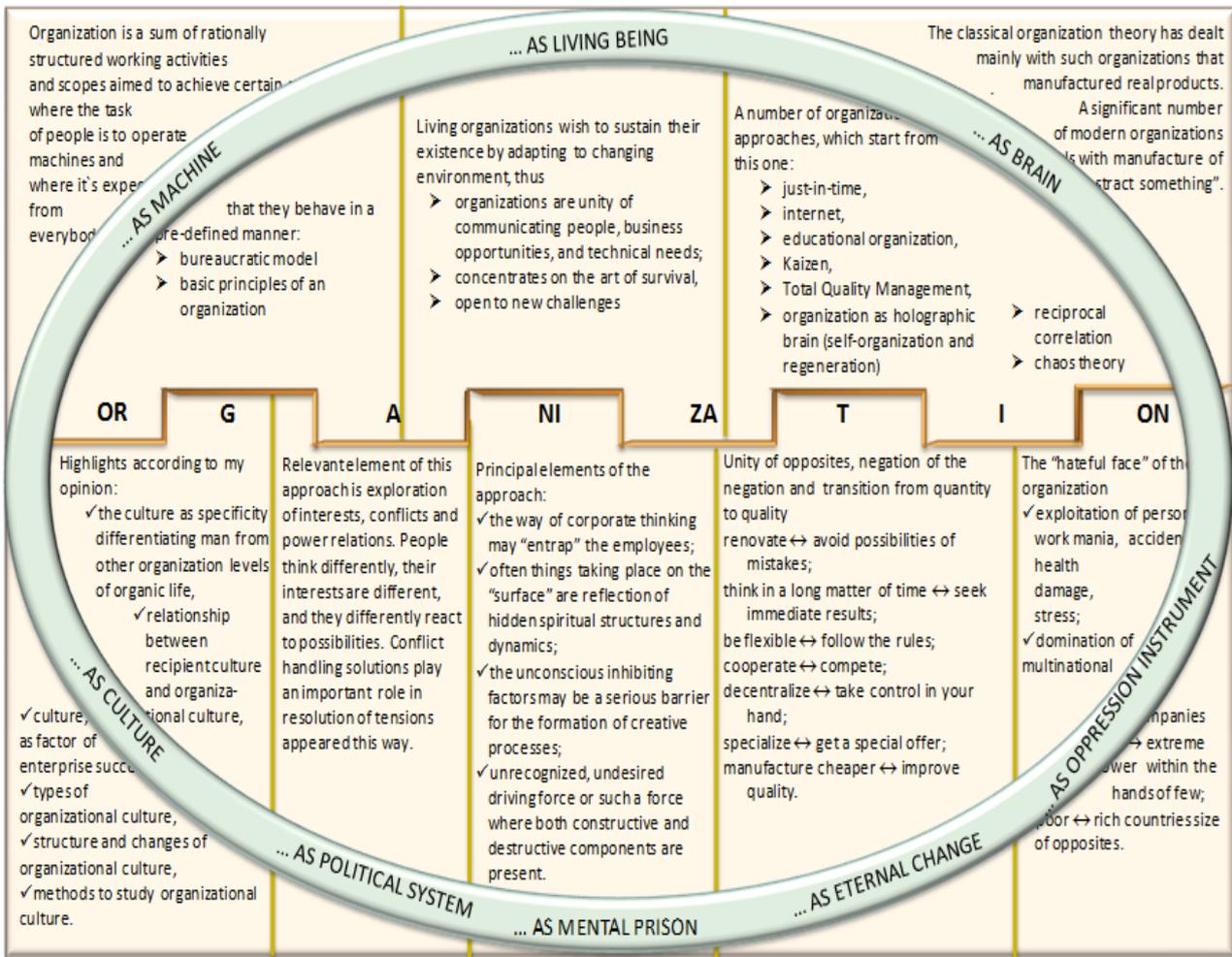


Figure 2- Metaphoric approach to an organization (own edition started from the systematization of Klein (2001))

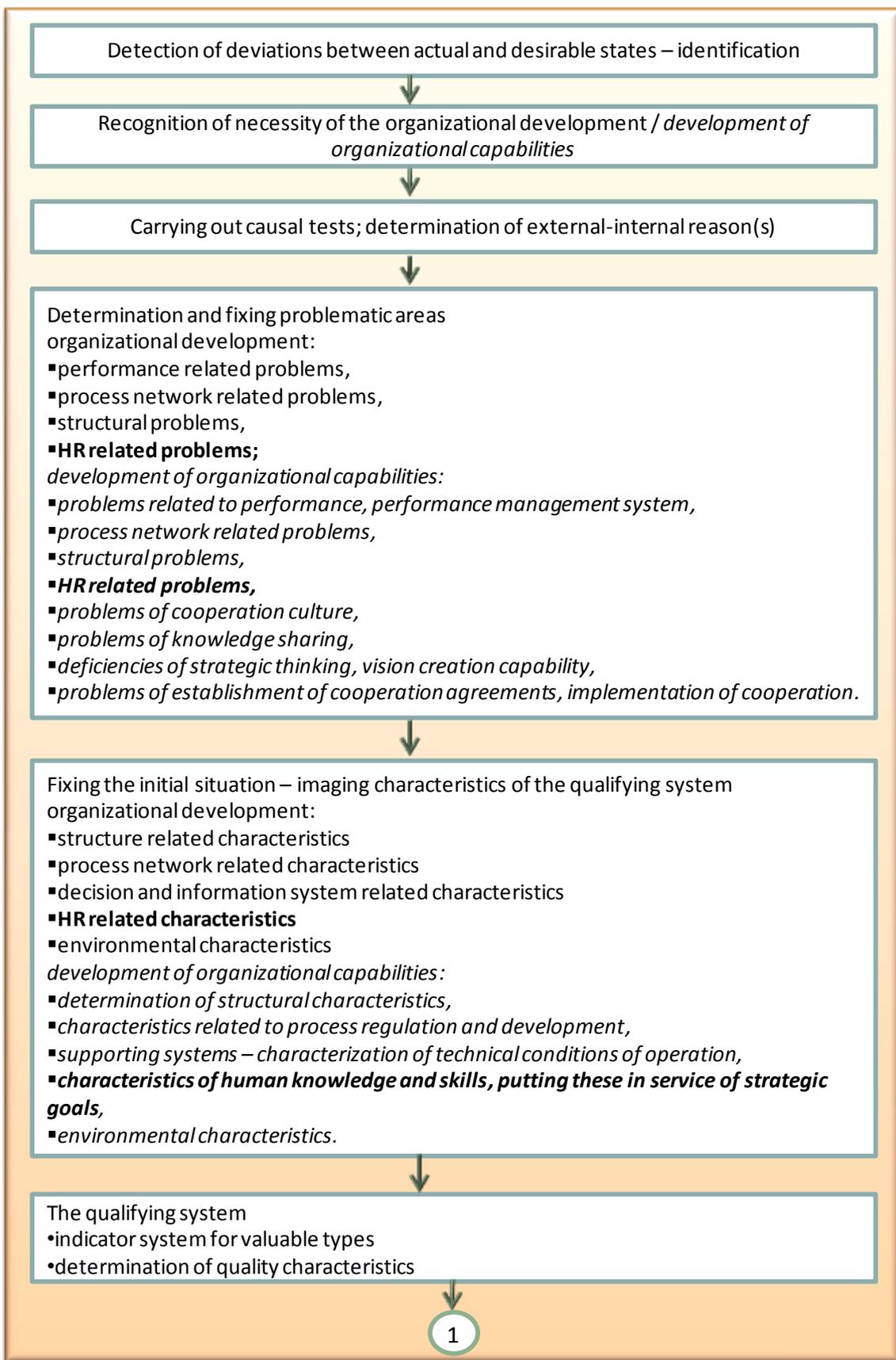


Figure 3- A classical model of organizational development – complemented by the development of organization capabilities (own edition)



Figure 3- continued (own edition)

As for their nature, they can be classified into the category of corporate/institutional category reserves. Therefore, the state tests concentrate on the

collision of the actual situation and the "ideal" state. In addition, the function of each subsystem/sub-capability is burdened by numerous detectable occasional or constant failure phenomena. At a first glance, the persisting problems and operation failures that may arise during daily work and originate from the breach of regulations and rules determining the system operation mode, and breach of working practices are classified into the so-called operation failure group recognized in their surface appearance form. These operation failures are classified into the loss category. Their study occurs by comparing the planned and actual operation mode.

Operation studies – through the evaluation of the target-task-tool procedure consistency and efficiency – may give information for the determination of optimal tightness of control, for the transformation of interest and motivation system, for the elimination of temporary failures and limits, while it is possible to analyze whether the system designer intentions failed due to occasional or structural barrier factors. The determination of goals and directions of organization and capability analysis is followed by the selection of method of organization/capability analysis; one of its possible criterion systems is presented in Table 2.

When composing Table 2, the author waived from individual organization of methodologies such as factor and cluster analysis, correlation and regression calculation, combination of multivariable mathematical-statistical methods, KIPA, CHECKLAND, simulation model, etc; interpretation examples are specified according to standpoints. Generally, the following can be stated about the methodologies:

- the methods meet differently the respective requirements;
- the user is offered a number of approaches, which makes it easier to fit the decision-making situation, makes the decision-making process more efficient, fit to interest and influence relationships originating from user roles, adapt to users' way of thinking and communication patterns;
- the effectiveness of each method for a given problem is to be determined.

In order to choose the analytical methodology for the improvement of organizational capability and to perform the analysis, the author composed a line of standpoints, which is applicable to the evaluation of both existing structures and new ones. There is a separate study performed or a methodology applied behind all the points; their strength is not in their innovative nature but in their accuracy and completeness. In this approach, each functional element should show the same values and put the company closer to the implementation of its strategic objectives. Finally, as a second critical phase of organizational development and capability improvement the method-choice criterion system for variation ranking is devised for the effective implementation (Table 3).

Table 2- Method-choice criterion system for analysis of organization and its capabilities (own edition)

Standpoints	interpretation domain / examples
Basic goal, determination of directions of organizational analysis	Organizational analysis analysis of organizational connections, analysis of factors acting on the organizational structure, analysis of organizational structure and connections with environment, test of factors acting on the organizational development and of organization characteristics test of quantitative factors between organizational structure and organization efficiency, test of strategy – structure – organization efficiency and environment. Analysis of organizational capabilities appropriate fit is the base of competition, value added by the top management, allocation of resources, feasibility, good plannability, problematic connections, redundant hierarchy, accountability, flexibility
Task size	whole organization / part of organization / business branch / partial skills / personal skills
Demarcation of test state and/or operation	state / operation
Formal presentation of qualifying system	quantitative and/or qualitative parameters
Mode of formation of evaluation parameter	correlation of criterion fulfillment indicators with the maximum score, function / cost ratio, sum, ratio, preference and disqualification indicators, average, frequency values, connection analysis, causal connections
Mode of evaluation	sequential or interval scale association graph simulation normative and diagnostic analysis
Application condition	hierarchic structuralism tests textual aspects
Usable auxiliary method	NCM, BS, graphical method, advantage-disadvantage analysis, questionnaires, PARETO analysis, Guilford type pair-wise comparison, RADAR, STEEPLE, VVI
Number of analysis participants	person and/or group
Structural elements of qualifying system	resources, centralization – decentralization, capabilities – results.

Table 3- Method-choice criterion system for variation ranking (own edition)

standpoints	interpretation domain / examples
Task size	Random/limited from above/below depending upon the number of variations
Principle of sorting reference	Referred to one another, referred to ideal, referred to the best, referred to the fastest
Recording of standpoints of opinion-makers	determination of contribution extent to the goal to be achieved, determination of percentage of variations compared to the ideal, based on actual values as compared with target, qualification of variations according to scale containing different grades, determination of minimum value of weighted divergence, determination of opinion centers, quantification of tightness of opinion agreement, analysis and evaluation of reliability of forecasts with the help of connection testing, determination of optimal performance concerning all goals with single or multiple value(s).
Determination of comparison dimensions	qualitative dimensions/effects, quantitative dimensions/actual quantifiable values, qualitative and quantitative dimensions.
Determination of property expression criteria	with the help of an auxiliary method (BS, Delphy, ...), collection of factors helping goal implementation and logically linked to the goals, determination of functions having impact upon implementation of the basic function, PARETO analysis
Number of opinion-makers	person and/or group
Mode of criterion weighing (presuming interpretation according to the criterion system)	direct estimation, pair comparison, determination of importance grades by criteria, determination of expected values of weight and scatter by criteria, semi-matrix procedure, in case of n criterion, formation of 1/m relative weight, with the help of a qualitative scale, appearance on interval scale – inhibition percentage of performance of the basic complex function by worst performance of the given function.
Sort-serving measurement principle	uses the measured values of sequence scale Spearman-type rank correlation coefficient determination of preference sequence based on preference ratio, putting of evaluation factors on the interval scale consistence matrix, relevance numbers, relative importance coefficients, determination of the ratio of sum differences, single and/or multiple evaluation, by using real inhibition factors of all functions, usefulness functions; determination of distance values, classification of variations into five categories (K-S one-sample significance test), advantage-disadvantage comparison, comparison of qualification results and requirements by criteria.

Table 3 continued (own edition)

standpoints	interpretation domain / examples
Basis of measurement evaluation	weighted, complex formal evaluation, with the ratio of disadvantage series, with the help of individual and aggregate preference table, with the help of rank correlation matrix, as weighted sum with determined total relevance numbers, as simple sum with the help of determined absolute importance coefficients, with the sum of simulated step variation values, product of weighted individual values, construction of weighted distance values, with the help of implementation factor (by subtracting real inhibition factor from 100), by systematic application of rules, choice by weighing advantages/disadvantages, selection by filtering rule and threshold, with the help of overall usefulness (sum of the products of usefulness and weights).
Suitability conditions	record of presupposition of effects, hierarchic structurability of the tested system, determination of limits of pre-selection, restriction of homogeneous systems to a set.

**Bibliography:** 1. Klein S. (2001): Vezetés- és szervezetpszichológia. SHL Hungary Kft. Szeged. 2. Morgan, G. (1986): Images of Organization. Sage Publications. Inc. Ismerteti: Jávor (1993): A szervezetszociológia gondolati rendszere. ELTE Szociológiai, Szociálpolitikai Intézet és Továbbképző Központ. Nemzeti Tankönyvkiadó. 3. Morgan, G. (1998): Images of Organization. Berrett – Kochler Publ. inc. – Sage Publications. 4. Veresné Somosi M. (2005.b): Organisational Self – Evaluation as a Possible Tool of Organisational Analysis. „Sixteenth Annual Conference of POMS, Chicago, IL, April 29 – May 2, 2005.” 14 p. [CD]. 5. Veresné Somosi M. (2009.b): Az értékalapú szervezetfejlesztés egy új megközelítése. In: „Vezetési ismeretek II.” Tanulmányok a Vezetéstudományi Intézet munkatársaitól. Jubileumi kiadvány a Miskolci Egyetem Gazdaságtudományi Kar Vezetéstudományi Intézet alapításának 50. évfordulójára. II. köt. Miskolc-Lillafüred, 2009. május 19-20. Miskolc. 2009. Miskolci Egyetem Gazdaságtudományi Kar. 160-170. p. ISBN 978-963-661-886-5; ISBN 978-963-661-888-9. 6. Veresné Somosi M. (2009.c): Szervezeti képesség – változó tudás. „Innováció az egyetemi képzésben és kutatásban.” Jubileumi Tudományos Konferencia. Balatonvilágos, 2009. augusztus 27-29. 7. Veresné Somosi M. (2009.d): Novüj podhod k osznovannomu na cennoszti organizacionnomu razvitiju. In: VESZTNIK. Nacional’nogo Tehniceszkogo Universziteta „HPI” 38’2009. Harkov. 84 96. p. 8. Veresné Somosi M. (2011.c): Alapvető képesség: a szervezeti és az egyéni képesség fejlesztése. In: Magyar Minőség, XX. évf. 2011. 5. sz. 11-20. p. HU ISSN 1789-5510

Поступила в редакцію 2.04.2012р