

# Proposal for the concept of functioning "XYZ"

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# Vision

- XYZ should be an organization where a larger number of managers, independently working on achieving the goals assigned to them, will strive to make maximum use of the resources entrusted to them and their potentials in order to maximize the market value of the company.
  - There is no separate work, goal of the whole system is "disassembled" on the objectives of subsystems with independent management and communication with the environment.
  - Subsystem managers have the right to measure achievement of goals and suggest new ideas.



CURRENT ORGANIZATIONAL SCHEME

# Network form of organization

- The network form of the organization is proposed instead of the functional one.
- A larger number of managers should have significantly more rights and obligations in fulfilling the trusted goals and a chance to realize their potentials.

# Objectives (purpose) of organizational changes

- The short-term goal is for managers to better understand how the whole company works, primarily to focus on their goals.
- The mid-term objective is to realistically determine the efficiency of each subsystem's functioning due to the potential outsourcing option.
- The long-term goal is that XYZ efficiently uses resources and realizes new projects.

# Implementation plan

- First, a new concept should be adopted.
- Second, the responsibilities of individual managers need to be specified.
- Thirdly, the existing annual business plan needs to be broken down into the business plans of the subsystem at a monthly level.

## Production

- Assortment
- Max. Capacity
- Equipment value
- Input inventory
- Work - on "order"
- Internal revenue
- Direct costs
- Gross wages
- General costs
- Return on Capital employed

## Eureka

- Development costs
- Marketing costs
- Ideas
- Investments

## Catalog

- Sales "XYZ"
- Sales - "import"
- Sales - "export"
- Purchase value
- Gross wages
- General costs of sales
- Equipment value
- Max "cash-flow"

## XYZ

- Equipmen value
- Inventory
- Revenue
- Costs
- Return on Capital employed
- DCF

## Shop window

- Inventory
- Equipment value
- Revenue
- Purchase value
- Gross wages
- General costs of sles
- Return on Capital employed

## Administration

- IT, finance, ....
- Gross wages
- General costs

# Production

- The first task is to define the maximum possible production volume by months (T-0).
- The basic task for "production" is to produce that what is ordered by Shop window and Catalog and with the lowest possible cost.
- Input inventory (T-8,9,10,11), input consumptions, input prices, labor costs (T-13) and general production costs (T-12) are subject of plan.
- The planned and realized rate of return on the assets involved (equipment + input inventory) is calculated on the basis of "internal" revenues.



# Shop window

- Sales by month for "XYZ" and "import" (T-1), selling price (T-2), cost of goods, labor costs (T-13) and general sales costs (T-12) are subject of plan.
- The quantities of stock of goods ("XYZ" and "import") are planned by months (T-6.7).
- The value of the engaged equipment is monitored and together with the value of the inventory is used to calculate the planned and realized rate of return on the assets involved.
- The task is to achieve as much as possible a higher rate of return on the assets involved.

# Catalog

- Sales by month for "XYZ", "import" and "export" (T-1), sales price (T-2), cost of goods, labor costs (T-13) and general sales costs are subject of plan.
- There is no inventory plan.
- The value of the engaged equipment is monitored (the same as for the Administration, Eureka) but is not used to calculate performance indicators of this subsystem.
- The task is to make the largest difference between revenues and costs (cost of goods, labor costs and general sales costs).

# Administration

- These include information system, finance, security and other jobs that are required by all organizational parts but performed in one organizational unit.
- Goals, tasks and plans are descriptive.
- There is no planning of revenues and engaged assets, but only costs are planned - labor costs (T-13) and general costs (T-11).
- The report on the implementation of the plan should include a description of what has been done, how much money has been spent and the cost analysis.

# Eureka

- These include, first and foremost, business development and marketing.
- The planned activities are descriptive.
- There is no planning of revenues and engaged assets, but only costs are planned - labor costs (T-13) and general costs (T-12).
- The report on the implementation of the plan should include a description of what has been done, how much money has been spent and the cost analysis.

Reporting - XYZ - Excel

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	No.	Description	Eureka	Catalog	Shop window	Production	Administration	XYZ
4		Balance sheet						
7	1	Fixed assets			////	////		***
9	2	Inputs inventory				////		***
11	3	Outputs inventory			////			***
13	4	Other inventory						***
15	5	Receivables			////			***
17	6	Cash						***
19	7	Shasres						***
21	8	Other current assets						***
23	9	Payables			////	////		***
25	10	Debts						***
27	11	Other liabilities						***
29	12	Capital employed (C)			////	////		***
32		Profit/loss account						
33	1	Revenue		////	////			***
35	1.a	- Internal revenue				*****		
37	2	Direct costs		////	////	////		***
39	2.a	- Internal costs		*****	*****			
41	3	Gross wages	////	////	////	////		***
43	4	General costs	////	////	////	////		***
45	5	Profit (Revenue-Costs)	Costs	Profit	Profit	Profit	Costs	***
47					Profit / C	Profit / C		Profit / C

Ready

## Business plan XYZ

### - integration of subsystem business plans -

- The starting point is the balance sheet at 1.1.20 ...
- Projections of revenues, costs and cash flows are the result of aggregating financial parts of the subsystem's business plans.
- The final table of the business plan is the projection of cash flow, free cash flow and the expected rate of return on the capital employed.

# Implementation timetable

- Until April 15th, the version of annual business plans for subsystems (and total) can be completed.
- Until April 30, annual business plans for all subsystems (and total) can be completed and adopted. Data for the first 4 months 20 ... year. should be equal to what really happened in that period.
- Until the 20th of April, first version of the company's valuation can also be completed.

# Costs of organizational changes

- There will be no significant financial costs of restructuring.
- For now, no increase in the number of workers and managers is proposed.
- Given that the existing planning and reporting system is very developed, the need for additional information will not be significant.



# Monitoring the achievement of goals

- Every month managers should present to the board of directors data on achieving goals in the previous month and cumulatively from the beginning of the year.
- Based on any monthly report on the achievement of objectives, it is possible to innovate the business plan or the competencies of the every subsystem.

# The purpose of the network organization project

- The basic idea is that a larger number of managers (and other employees) do not just execute orders, but to use as much as possible their potentials.
- Managers should work, think how they will most effectively fulfill their goals and, with new ideas, create the future. On the other hand, apart from the right to objective measurement of the achieved results, they should have the right for reward.
- XYZ should function as „équipe“:
  - Eureka
  - Catalog
  - Shop window
  - Production
  - Administration