

Design Tip #114 Avoiding Alternate Organization Hierarchies

By Joy Mundy

Most organizations have one or several organizational hierarchies used by sales, finance, and management to roll up data across the enterprise. These organizational hierarchies become key conformed dimensions in the enterprise data warehouse, used for drilling up and down, slicing and dicing, performance-based aggregations, and even security roles. Despite their central position in management reporting, organization hierarchies are often managed – or un-managed – in a haphazard fashion.

You should manage your organization hierarchies centrally and professionally. There should be a clearly defined process for making changes to the organizational structure. Disciplined companies may try to limit major hierarchical changes only at fiscal year boundaries; changing the org structure as seldom as possible helps people mentally track those changes.

Professional management of hierarchies delivers roll-ups that are officially blessed as the truth. The more effective the official hierarchies, the less likely some business users will need to create alternative hierarchies. Unfortunately, in the real world we often see demand for alternative hierarchies: mid-level managers want to see their organization structured differently than the official rollup. In the data warehouse, we're often asked to bring in those alternative hierarchies, to enable hands-on managers to view information in a way that matches their business. It is easy and common to bring in multiple hierarchies, but a better solution – if possible – is to embellish the official hierarchies.

Senior management typically focuses on the top few levels of an organizational hierarchy – typically, the level of detail exposed in external reporting – and unsurprisingly those top levels work well.

However, lower rank managers sometimes perceive two types of problems with official hierarchies:

- Small internal organizations that don't need all the levels available to them. You can address this problem by filling in the lowest levels of the hierarchy with meaningful defaults, and designing drillable reports that make it easy for analysts to hide the repetitive structures.
- Large internal organizations that can't fit everything into the available levels. For example, a recent client has 60% of its business in the United States, and the US sales organization had a more complex organization than the non-US business. This situation may be solved by adding one or two levels to the official hierarchy. This obvious solution of adding more levels to the official hierarchy will only be effective if you don't make it too painful for smaller organizations that don't need more levels.

Managing the hierarchies professionally means that one organization – ideally a data administration or data management organization – is in charge of making changes to the rollup structures. Although the central organization is the only one to actually make changes, let the people who will use a piece of the hierarchy be the ones to design its structure. Design a system that distributes ownership broadly across the organization, but still keeps everyone marching to the same drummer.

A good master data management (MDM) system that includes workflow components is the ideal tool to facilitate this process. Assign owners at each node of the hierarchy, and designate additional people who must sign off on any change:

- Owners of immediate parent and child nodes

- Representative(s) from finance
- Representative(s) from data management organization

In addition, designate a larger group of people who are notified of a proposed change which may affect them. If you don't have a MDM tool to manage this process, email works too.

The management of the organizational hierarchies is really not a data warehouse function; all these changes, and the communication required, must be managed upstream of the data warehouse.

If you have distributed management of the hierarchical structures throughout the organization, and included enough levels for all parts of the organization, you will see a greatly reduced demand for alternative hierarchies. Many organizations will get by with one to three official hierarchies. With strong management encouragement to use only official hierarchies, you may be able to eliminate the need for other local structures.