IMS 5047 - MANAGING BUSINESS RECORDS

Functional Analysis of Business Activities

These notes are based on material prepared by Anne Picot, Barbara Reed and Frank Upward, with some alterations by Judith Ellis (2004). The material is not to be used by bodies other than Monash students in the course of study without their permission, and in all cases must carry appropriate attribution.

Functional analysis of business activities is traditionally viewed as a top-down decomposition which begins with the broad goals and objectives of the organisation, identifying the functions, which achieve those objectives, and then decomposes those functions and activities down to the level of recurring transactions.

Functional analysis draws on organisational analysis including analysis of the corporate and regulatory environment, and involves structural and transactional analysis. [Basically structural analysis involves looking at the bits that make up the whole, and transactional analysis involves analysing the actions themselves more specifically]

Functional analysis 'traditionally' is viewed from the top-down, but the logic of business process analysis being presented in this course shows that it could just as readily be built up from the bottom. Consider the major elements of a functional analysis:

- The goals and strategies of the organization
- The broad functions of the organization which support the pursuit of these goals and strategies
- The activities of the organization which constitute these functions
- The groups of recurring transactions which constitute each activity
- Identifying all the constituent steps which make up the activity
- Identifying the transactions, which comprise each step in the business activity.

The reason records management usually expresses itself in terms of functional analysis (top down) rather than transactional analysis (bottom up) is that one of the main uses of functional analysis is in constructing records management classification systems, and such systems seldom have to identify all the constituent steps in activities, or all the parties involved in transaction. This is handled through indexing, and through the building of files that tell a story of these things, rather than through functional classing itself, which normally stops somewhere in the activity level.

For example, in a top down approach, the broad functions of an organisation usually include such areas of management as:

- marketing
- public relations
- transport
- sales
- finance
- personnel
- stores
Each of these functions can be decomposed to the level of activities within them. We will take one example, personnel management, also known in the workplace as human resource management. Because personnel management is a function common to practically all workplaces, it is possible to undertake an abstract decomposition of the function to the activity level.

For example, if we look at the function as a continuing history of activities occurring through time, based on the progress of an individual worker in a particular workplace we might come up with the following list of activities:

- Advertising a vacancy
- Staff selection
- Induction
- Payment of wages
- Leave administration
- Training
- Promotion
- Transfer/movement
- Dismissal
- Retirement.

To go further and/or to undertake a structural analysis from here would require specific workplace-based knowledge. Further analysis would add in activities which are specific to the organisation and in the case of structural analysis, would look at how each is done in the workplace, and what other ways there are of doing it.

The example relates to what in an archivist's jargon is usually called 'general administrative records'. Because these records are widely found in most organisations, general classification systems can be developed for them (the application of these general schemes is a different issue, however, as specific workplace-based knowledge always has to be brought to bear in any application). A small government authority with only a few employees will have significantly less material to classify than a large government department, and for classification purposes may not have to 'drill' as far down for 'filing' purposes.

In Australian government organisations archival institutions often prepare thesauri for general administrative terms...(see NSW State Records and the National Archives websites for a shared but diverging example, the 'AAA' thesaurus.)

**Categorisation and functional analysis**

As records are fundamentally transactional in nature, they require strong contextual links to the business activities and transactions which created them. Records management classification is different from more general classification, in that the scheme must derive from the nature of the business being conducted. An analysis of the organisation, its regulatory environment, its business activities and accountable transactions must be undertaken in order to construct a business activity classification.
Classification of business activities acts assists in many of the processes involved in the management of records, resulting from those activities, including:

(a) providing linkages between individual records which cumulate to provide a continuous record of activity;
(b) ensuring records are named in a consistent manner over time;
(c) assisting in the retrieval of all records relating to a particular activity;
(d) determining appropriate retention periods for records;
(e) determining appropriate security protection for sets of records;
(f) allocating user permissions for access to or action on particular groups of records;
(g) ability to recognize location and use of duplicate records and a method of disposing of these records when no longer needed;
(h) distributing responsibility for management of particular sets of records;
(i) distributing records for action; and
(j) allocation of numbers and codes.

As indicated above, business classification schemes reflect the simplicity or complexity of the organization from which they derive. Organizations need to determine, individually, the degree of classification control they require for their business purposes. Classification schemes to support good recordkeeping systems need to be formalised, however informal classification schemes can be derived by individuals or sections of an organisation to support recordkeeping responsibilities.

Once devised, formal business classification schemes can be used to support a variety of records management processes.

**Establishing linkages between records**

Business classification schemes, formal or informal, can be used to group records together and so create a records system. By placing records in set categories which accumulate chronologically or sequentially over time, the classification scheme establishes linkages between individual documents formalising them as records.

**Naming records**

The business classification schemes may be used to allocate names to records which reflect their linkage to business activities and functions. Business classification schemes provide consistency of naming over time, especially as people move between jobs and organisations. Consistency in terminology is important for efficient retrieval.

**Retrieval**

Use of standard naming protocols derived from agreed business classification schemes and applied consistently over the records of an organisation assists in the efficient and effective retrieval of records. It ensures that all records relevant to a transaction are retrieved as a related set whose context is clearly established by the language used for naming.
Retention
The business classification scheme can be used to ensure that records are retained for the appropriate periods. If appropriately devised a business classification scheme will ensure that similar sets of records will be managed as a related entity, thus enabling disposal decisions to be applied consistently across related material.

Security
Business classification schemes can be used to identify areas of functional responsibility, and the records documenting those functions, which require restrictions to their availability for use or alteration. Certain groups of records are inherently sensitive to their creators and access to the records which result from such activities should be limited in order to protect their sensitivity. Most sensitivity is relative to the age of the record, with sensitivity reducing as the record ages.

User permissions
Business classification schemes can be used to allocate user permissions to employees to authorize, access, alter or delete records maintained in a records system. A user may be the authorized employee responsible for the creation, alteration and deletion of records in the functional area of responsibility, while only having the ability to access but not create, delete or alter records in other functional areas. Similarly, certain business activities may not be suited to sharing of access outside the particular functional group and the user permissions available to employees outside that work group are restricted. Similarly, the view of a work group may be restricted to the activities for which they are responsible.

Distribution or allocation of responsibility for the management of particular sets of records
The business classification scheme can be used to distribute and allocate specific responsibility for the creation of authoritative or accountable records to business units, work groups or employees with relevant functional responsibility.

Distribution for action
Business classification schemes can be used as a tool for workflow in determining and allocating responsibility for completion of specific nominated tasks via the responsibilities associated with the business functions, activities and transactions reflected in the scheme.

Process analysis
A business classification system can also be a holding point for documentation relating to the process analyses that have been carried out when determining what records to capture, and whether they need to be meet stringent recordkeeping requirements.

Paper and Electronic Records
Classification can be used for electronic records, paper records, and as a means of providing a common entry point to both. The main difference is that in electronic records you do not have to physically 'file' things in accord with a classing system. They can be multiple, operating across the stored records in a diverse fashion, not a singular 'filing' system.

Appraisal
To be discussed in week 6.
Exercise 1: (for the tutorial)

The objectives of this exercise are:
1. To show you a format for breaking down a common functional area
2. To demonstrate the relationships between the activities in a functional area
3. To think about the grouping of activities

Task
Included below is a breakup of one single function commonly undertaken in all types of organisation. Your task is to work out

a. what an appropriate umbrella term to cover all of these activities might be (at present represented by a row of XXs). Justify your answer.
b. Why are speeches, events and visits are handled by a specification provision rather than a break up of the activities?
c. How might you break down the category of media liaison at the next level.

Xxxxxxxxx:

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<thead>
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<th>1st Descriptor</th>
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<td>Press Clippings</td>
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<td>Visits</td>
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<td>[Specify by Name]</td>
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</table>
Exercise 2 (for the tutorial)

The objective of this exercise is:
1. To provide you with practice in organising groups of related activities

Task

Listed below are a whole string of things associated with the function of financial management in a typical medium size business.

Group the terms into hierarchical order under Financial Management. There will be a number of major categories under financial management and, in turn, a whole lot of sub categories which can be grouped under each of the major categories. You should end up with a table like the one in Exercise 1. You can have as many levels of hierarchy as you like, but there should be at least two (not including Financial Management).

FINANCIAL MANAGEMENT

- Annual Returns
- Audit
- Appointment of Auditors
- Bank Charges
- Banking
- Bank Statements
- Bankruptcy Arrangements
- Budget Estimates
- Budgeting
- Capital Gains Tax
- Cash Books
- Cheques
- Company Tax
- Credit Cards
- Creditors
- Debtors
- Donations to Charity
- Donations from others
- FBT (Fringe Benefit Tax)
- Bank Fees and Charges
- Financial Statements
- Garnishees (where the company arranges to deduct money from an employees wage in order to satisfy a prior debtor)
- Guarantees (where the company offers guarantees of financial security to banks)
- Income Tax
- Investments
- Land Taxes
- Loans
- Monthly Returns
Payroll Tax
Petty Cash
Professional Costs
Quarterly Returns
Reallocation of Funds
Recurrent Budget
Sales Tax
Sundry
Tax
Unpresented Cheques
Write Offs (where an old debt cannot be reclaimed and a decision is made not to pursue it anymore)

Within your scheme, you can use the following types of words to qualify further breaking down of your classification:

Specify by Account No
Specify by Bank
Specify by Name
Specify by Type of Debtor
Specify by Type of Loan
Specify by Year
Specify by……..

You can use the following words to qualify any functional area:

Policy
Procedures

You may have to add a term or phrase that is not in the original list, and you are free to do so.
Web searching

Exercise 3

In the Exercise 1 you looked at an exercise involving public relations and media liaison. Use up to three online sources (eg. dictionaries, thesaurus, actual companies) to check the responses and see if you would give a different answer afterwards. (Indicate what three sources you used.)

Exercise 4

You can turn a functional analysis into a thesaurus. Do a search for thesaurus generation software? How would you describe such software. Base your answers on results of www searching.

Exercise 5

See if you can find a government or business annual report as a result of a www search. Is it organised around structure [the bits in the organization and how they are brought together] or function [the things the organisation does]?