

Paper Company

Reengineering Working Paper 1

Overview

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BPR at *Paper Company*

Paper Company (formerly *Paper Company 1* and *Paper Company 2*), has been undergoing dramatic changes since the merger, and will now face new challenges to cope with. In order to enable the company to act successfully in dynamic marketplaces, new strategies have to be developed, and measures have to be undertaken in order to adapt the core business processes to new environmental preconditions.

Business Process Reengineering (aliases: Business Process Redesign, Core Process Redesign, Value Reengineering, etc.) has for many companies proven to be a successful tool for aligning the organizational processes and structural variables with the requirements imposed by the imperatives of high customer service, efficient logistics, and low costs. In the *Paper Company* business strategy, this is underpinned by focusing on increased productivity, the best partner program, and the identification of the changes required for successfully employing the new business strategy.

In this paper, we will briefly outline the reengineering potentials at *Paper Company's* Austrian branch office, with a focus on the following aspects:

- Business Processes
- Structural variables
- Information technology

Business Processes

At the current state, there is no clear image of the business processes being operational. We are well aware of the routines being employed for customer acquisition, order handling, and dispatching, however, they have not been analyzed in terms of value contribution. A mapping of the firm's business processes has two main obstacles.

The company is geographically dispersed. Since the former *Paper Company 2* part of the company still resides in Salzburg, multiple processes are currently operational in two variants, that are heavily influenced by the different sizes of the original companies, their customer segments and distribution channels, their product ranges, and local cultures.

Several processes have a range that exceeds our area of operation. Following the reengineering concept, we can identify multiple processes that range from manufacturing to the final customers, thereby exceeding our operational range. Especially when considering the successful application of the Best Partner effort (aliases: Supplier-Retailer Collaboration, Efficient Customer Response), business processes need to be considered from a wider perspective.

Business Processes - Conclusions

At the current point of time, we do not see potential for a large-scale reengineering effort at the Austrian office of *Paper Company*. However, several preparing steps can be taken for launching an overall change effort as soon as the integration of the different parts of the company has been conducted. Meanwhile, we propose a concentration on improvement efforts that can be categorized under the general label of process improvement.

Identification of core processes. We will create an idealized image of the future business processes at *Paper Company* in Austria. This includes a definition of the operational procedures, the resources required, the knowledge being required for process “owners“ and team members, and the processes’ interfaces with other units of the firm and external stakeholders.

Performance review. The current processes, as far as they are identifiable, will be examined with respect to critical measures of performance, such as time, speed, quality, and value contribution. This includes the identification of pathologies, and proposals how to improve performance of the new processes.

Intermediate measures. The existing routines and procedures will be reviewed with a focus on process improvement on incremental level, i.e. reduced cycle times, improved quality (service and precision), and means of integration into business processes, in order to create a holistic perspective and to prepare the ground for further radical improvement.

Structural variables

Reengineering efforts are often characterized by a change of multiple organizational variables, such as hierarchical depth, span of control, and scope and content of individual and team-work. Due to the relatively small size of the Austrian *Paper Company* office, many of these measures, such as cross-functional work, have been in use for a long time.

However, we expect the merger of *Paper Company 1* and *Paper Company 2* and the resulting larger organization with its expanded scope of operations to be in need of a re-consideration of its organizational structure. In this concern, the local organizational culture and society has to gain special attention, in order to avoid eventual resistance to change, since there are significant differences between Swedish, German and Austrian culture, concerning aspects like leadership, empowerment, and managerial control. We also need to take into concern, that the reengineering concept has been developed in the US and therefore must be adapted to fit the preconditions of our company. In the following, we will outline several factors that need to be considered during a BPR exercise at *Paper Company* Austria.

Cross-functional teams. As mentioned above, former *Paper Company 1* has a considerable experience of cross-functional work. However, applying a business process perspective will require a re-definition of the current professional occupations from being functional to a process-oriented view. However, the successful implementation of this concept requires sincere knowledge regarding individual competencies, which must be gathered first. This also includes the identification of education and training needs.

Managerial control. This issue reflects firstly the span of control, and secondly the empowerment of individuals and process teams, and needs to be considered in the cultural context of the organizational setting. Both aspects need to be implemented deliberately, since a lack of awareness may result in undesirable consequences. Control reduction and empowerment require the willingness of management to transfer responsibility to employees, but it even requires their acceptance and the competencies to handle this enlarged scope of their work.

Structural variables - Conclusions

As a result of the merger and the disruption it has caused, we see a high potential for adapting the new organization to the needs of the competitive and dynamic environment we face. This process is, however, not a short-term ad-hoc activity, but requires a deliberate effort and a strong consideration of the cultural context in order to succeed. The experience gained from the Swiss office, where a high level of self-management has been applied previously, will be incorporated into the efforts in Austria, and help to avoid pitfalls during the implementation. Finally, it is important to point out that intended change of this magnitude presumes a high level of commitment from all involved parties, including the international head offices.

Information Technology

Information technology (IT), if used adequately, can be used as a major enabler of organizational change and new organizational forms. At *Paper Company* Austria, we can find a varying level of IT maturity, while the situation at former *Paper Company 2* is unknown, even though we can assume a similar situation there. For being able to reap the full benefits of IT, it is necessary to create a common knowledge platform, that allows all members of the firm to use today's IT support in an effective way, and to create an IT-usage environment that allows the rapid implementation and adoption of future applications. The following aspects should be considered carefully in this context.

Electronic mail - Memo. Electronic mail is one of the foremost means of communication available. It enables rapid communication, while still allowing an asynchronous mode. Since fast communication between different members of the organization are a pre-condition for succeeding with team-based organizational concepts, the use of electronic should be driven as

an important question. Eventually, this should include the use of (Internet based) electronic mail for communication with external parties.

Management information systems. A system for spreading business information has been in use for a considerable period of time. For making information available for all members of the process teams, the use of business information systems must be diffused throughout the entire organization. It should be considered, how a common interface can be developed for allowing to view and analyze data from multiple applications, such as the sales support system, the accounting system, etc. Having to handle a number of different applications for retrieving the required business information is an obstacle to the use IT.

Electronic Data Interchange (EDI). The business strategy paper clearly indicates the intention of employing EDI widely. However, it must be considered that the critical mass for industry-wide EDI adoption has not been reached yet. Despite the fact, that EDI-initiatives often are retailer-driven, it appears that many customers are not willing or capable to embark on an EDI-effort, a fact that can hinder the full-scale implementation of the Best Partner initiative. A joint effort with major customers, mainly sponsored by *Paper Company*, might be a possible solution, if there is an assessable positive cost/benefit trade-off for all parts involved.

Information technology - Conclusions

Information technology is generally considered to be a crucial factor in reengineering, it can serve as enabler for new organizational forms, but may even be an obstacle to successful change. Without investigating the IT-potential at *Paper Company* in-depth, we can conclude that the IT issue exceeds the scope of individual branch offices, and must be driven centrally. The objective for the local units is then to ensure the efficient use of IT within their domain.