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BUSINESS PROCESS REINGENEERING IN MERGED COMPANY

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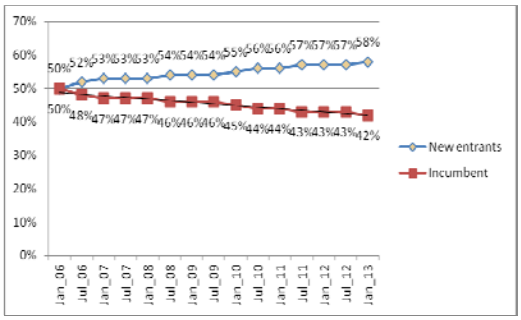
Abstract. *The global trend in telecommunication sector is focused on a strong push of the merger between telecommunication providers of fix network and services, mainly incumbent operators, and mobile network and service providers. The main driver for merging fix and mobile telecommunication businesses is a big market competition. Merger itself requires business process reengineering or at least process alignment. The adjustment of IT tools that are running behind the business processes is a real challenge. Business Process Management System can support faster merge of the companies from the business process point of view. The new business processes for the new company should be designed and be operational in a short period of time using a Business Process Management System (BPMS). The experience of implementation of the BPMS system in Makedonski Telekom and T Mobile Macedonia and implementation of the new processes tailored for the new company is a goal of this paper.*

Keywords: *Business Process; Reengineering; BPMS; R.Macedonia, Makedonski Telekom AD*

1. INTRODUCTION

The globalization of the economy and the liberalization of the telecommunication markets have formulated new conditions in this market segment which are characterized by instability and intensive competition. Competition is continuously increasing with respect to price, quality and selection, service and promptness of delivery. The competition is even more complex and severe considering the global trend of ceiling of the telecommunication market. Incumbent telecom operators all over the Europe share the same history of state ownership. They become privatized due to the European telecommunication market liberalization, losing monopoly position. New providers reshaped telecommunication market becoming a dominant player in this market segment.

Market share trend in fix telecommunication market between incumbent and new entrants in EU in period 2006-2013 is presented in Fig 1.



Source: Communication Committee, Eurostat
Figure 1: Fixed broadband lines – operator market shares at EU level, 2006-2013

Convergence of the technologies, development of broadband services with introduction of VoIP (Voice over IP) and television services has changed the telecommunication market.

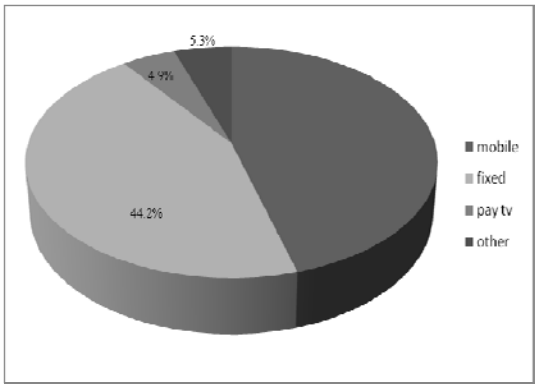
Introduction of mobile broadband services via 3G technology accelerate the competition in telecommunication market between the fix and mobile operators. The fix line services have a decreasing trend comparing the mobile services. Repositioning on the telecommunication market considering the decrease of the prices had impact on the revenue growth of telecom providers.

Average EU telecom revenue growth in period 2009-2010 is (-2.4)%, as presented in Figure 2.

Declining growth rates and core market shrinking are pushing telecom operators to make a strategy to survive on the market.

Merger and acquisition activity is on the rise in all industries, and seems to be the most popular strategy for survival of incumbent telecom operators.

M&A between incumbent telecom operators and mobile operators become mainstay in EU, but also in other countries.



Source: Communication Committee, Eurostat
Figure 2. Electronic communications sector revenues at EU level, 2010

There are four distinct types of acquisition present in the telecoms sector, defined in terms of two dimensions. The first is geographic scope, described as domestic mergers vs. cross border deals. The second is type of access-technology combination. The third is fusion of two mobile providers. The merge of fix line operator and mobile operator results in cross technology combination, as a fourth type of M&A and most dominant one.
Each type of merger is characterized by its own specific source of value generation and synergies, as well as challenges. Offering converged and bundled services for customers can make a competitive advantage for telecom providers.
The situation in Republic of Macedonia is very similar.
Incumbent telecommunication provider in fixed network, “Makedonski Telekom” AD participates in the total fix telecom’s market with 63.74%, competing with around 30 service providers [1]. The market share of “Makedonski Telekom”, as an incumbent, is bigger than EU average, but the revenue growth trend is negative.
In order to be more competitive on the market, the company decided to follow the merge strategy with T-Mobile, a daughter company, with 48.62% mobile communication market share.
The company’s merge as a process is very complex. No matter how the M&A will be implemented, the telecom providers should set up and follow a rigorous integration process.
Therefore in this paper only the impact of M&A on business processes is treated.

2. PROCESS MAP OF THE COMPANY

Company activities are organized in a business processes that are specific for each company. Design of the business processes and the correlation between the business processes reflect the management vision for the company strategy proceeding.
Business process management (BPM) has been referred to as a "holistic management" approach [2] to aligning an organization's business processes with the wants and needs of clients
The M&A is a management challenge for redesigning of the business processes and/or improvement of the business processes that will meet the expectations of the new company.
The business process redesign (Process Map) is treated in a few phases:

- Screening of AS-IS situation (business processes with relevant activities) in both companies.
- Identification of the existing processes that should be modified, improved and adjusted according to the needs of the new company.
- Identification of the new processes that need to be developed.
- Definition of New Process Map (definition and mapping of processes).
- Implementation of the processes.

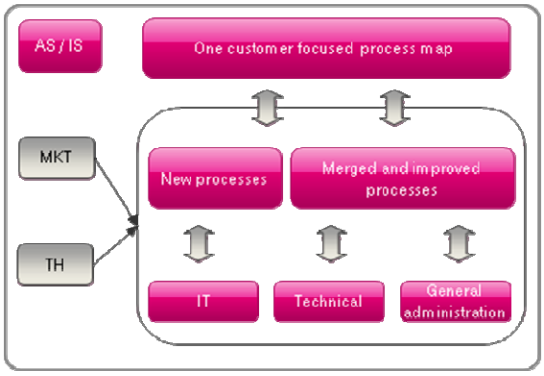


Figure 3. Transformation Process from AS IS into TO BE organization

An “AS IS” or baseline model gives an overall picture of how the process works, now. Any structural, organizational and technological weak points and bottlenecks can then be identified, along with possible improvements at the next stage.
Most of the G&A processes are identified for improvement and adjustment to the new company.
Based on the analysis of AS IS situation, the processes that need reengineering are identified.
Following criteria are considered as critical for process prioritization:

- Revenue impact.
- Cost savings.
- Time to market/ time efficiency/ customer satisfaction.

During the design of the new TO BE processes the following information are considered:

- The desired outcome of the process.
- The start and end points (customer need and customer need fulfillment).

- The activities that are performed.
- The order of activities.
- The people who perform the activities.
- The documents and forms used and exchanged between functions and from customers and suppliers.

When we talk for a customer need, the employees should be treated as internal customers. Their expectation of value added in TO BE processes is very important for easier acceptance of initiated changes in company.

The real challenge is adjustment and unification of the support processes (mainly G&A processes) considering the good practice from both companies.

The new Process Map which represents TO BE processes is customer focused as an important approach of the new merged company.

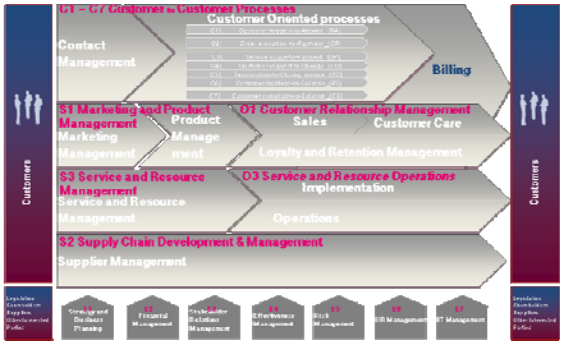


Figure 4. Business Process Map of merged company

Very important for process improvement and process reengineering are the IT tools that support the relevant business process. That means that any process development is connected with the development of IT tools. IT tools give the automatization to the process, increase the process flexibility, process effectiveness, supporting quicker and paperless transactions, removing physical and organizational boundaries.

The companies that have merged already use some IT tools for running their processes. Since the processes have to be improved or reengineered the review of all IT tools and relevant application needs revision as well with a decision on their further development or retirement.

Time needed for modification of current application and time needed for development of new applications has direct impact on the implementation of the new processes in the merged company.

3. BPMS PLATFORM

Business change is inevitable, and leading organizations will require the ability to dynamically make changes to business processes to maintain competitive advantage. Such dynamic process change might be enabled automatically by allowing technology to change the process based on rules and parameters, or by using deeper analytics and information about events to provide real-time situation awareness. These capabilities can enable the people who are involved in the process (and business process owners who are responsible for process performance) to enact process change, tailoring their responses appropriately to emerging business threats and opportunities.

The initial situation related to the Workflows in both companies is described with the next figure.

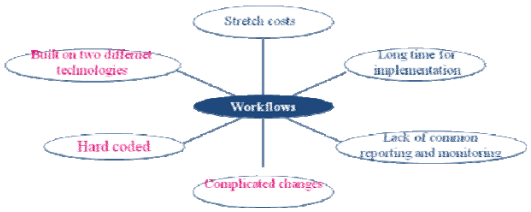


Figure 5. Existing situation of Workflows before merge decision

The Business Process Management System (BPMS) supports faster implementation of the business processes of the new merged company. The development and implementation of business processes on BPM Platform follows few steps presented in Fig.6.

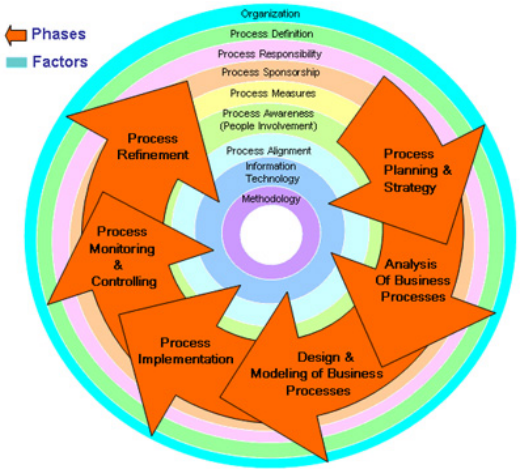


Figure 6. Business Process Management Framework

The BPMS is a technology that supports business process management (BPM), a management discipline that treats processes as assets that directly contribute to enterprise performance by driving operational excellence and agility.

Strategic Objectives for implementation of BPM Platform

- Accurate and faster processing of business critical activities.
- Reduce overall IT costs.
- Reduce duplications.
- Increase visibility into operational efficiencies and bottlenecks.
- Reduce business risks.

- Easier process changes in case of reorganizations, and/or acquisitions.

Operational Objectives refers on the increased flexibility, efficiency and fast respond for new business process implementation or modification of the existing represented by following parameters:

- Time for implementation of the new business process.
- Time for modification of the existing business process.
- Time for correction of the operational business process.

The configuration of BPMS that will meet the strategic and operational objective should consist of the following modules:

- Design Environment.
- Business Process Engine.
- Business Rules Engine.
- Form Management.
- Business Activity Monitoring (BAM) System.
- Management and Administration.

The BPMS needs to be designed from the ground up to be deployed on top of Service Oriented Architecture (SOA).

BPMS solution should provide possibility for integration with various databases (e.g. MS SQL, Oracle) in order to facilitate access to the relevant applications' data. Integration with other systems (like SAP, Customer Care etc.) that are deployed is expected as well.

Modern generation of intelligent BPMSs have added enhanced support for human collaboration, integration with social media, mobile access to processes, more analytics and real-time decision management.

4. CONCLUSION

The selected platform that has met the technical requirements is APPIAN BPMS.

Part of the workflows for the new reengineered business processes are implemented by usage of Appian as a BPMS.

In the first phase of company preparation for a planned merge (about a 2 years period), workflows for the following business processes are implemented considering harmonization and/or approval phase:

HR processes (vacation, training, business trip, selection and recruitment); Contract; Business Case; Project Document approval; Tendering process; Request for Procurement; Consent; Product Tariffs; Individual Case Pricing; Complains handling; Regulations; Budget Transfer. The version for mobile devices is also implemented supporting mobile devices like iPhone, iPad, BlackBerry, and Android operating systems.

The mobile application enables users to monitor general or targeted events, to collaborate on goals, to take direct action on task, and to stay abreast of key activities. The users gain mobile access to task and event notifications, mobile-enabled forms, one-click mobile approvals, up-to-date business information, and ad-hoc collaboration. The social Tempo interface also allows users to discuss about core business activities, systems and events.

Expectations of the common BPM Platform for easier reorganization of the new company and giving an added value are fulfilled trough:

- Faster deployment of new business processes that support the needs of new company (around 1 month),
- Collaboration between employees as internal users of BPMS straighten the new corporate culture and better usage of HR resources
- Increasing the flexibility of the company as a respond to the changes in business environment considering clear distinction of roles and responsibilities
- Monitoring, controlling and reporting of business processes considering the analysis of KPI (target KPI per process are achieved)
- Established traceability, history and control over business processes

IT technology seems to be a one of the most important driver and prerequisite for successful company M&A activities.

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