

USAID Eastern Europe Regional Energy Efficiency Project

Regulatory Reform And Energy Sector Restructuring Contract

INFORMATION FROM SEMINAR AND
WORKSHOP

Pultsk,
Poland

November 25-26 1997

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**Regulatory Reform And Energy Sector Restructuring In Central And
Eastern Europe And The Baltics**

Contract No - DHR-0030-C-00-5016-00

Bechtel International Consulting Group

22934-008-018



Seminar

**Development and implementation of the
restructurisation strategy for distribution
companies in Poland**

**ARTHUR
ANDERSEN**



Pułtusk, 25-26 November 1997

22934-008-018

USAID



Strategy

New challenges for the distribution company

INTRODUCTION

Seminar "Development and implementation of the
restructurisation strategy for distribution companies in Poland"
prepared by

Arthur Andersen Polska

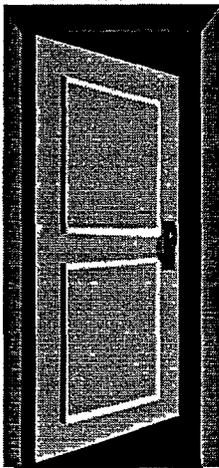
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Agenda - Tuesday

- **Introduction to development of the strategy**
- **Major steps**
 - **Environmental analysis**
 - **Internal analysis**
 - **Articulation of the strategy**
- **Strategies of the distribution companies**
- **The role of performance measures in the process of strategy implementation**

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**Why does a distribution
company need the
strategy?**

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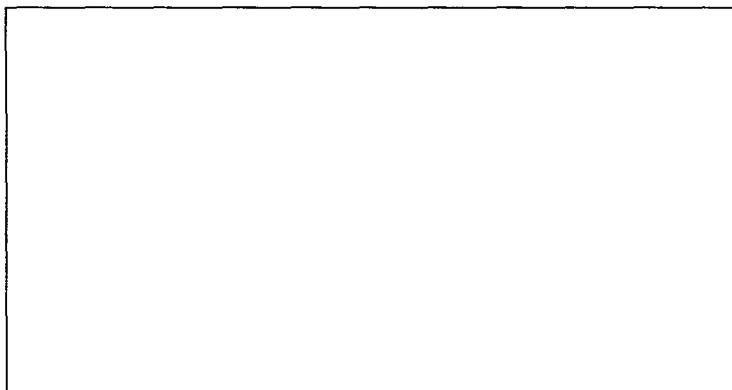
Time of changes.

- demonopolization**
- liberalization**
- regulation**
- privatization**

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Energy market will be changing

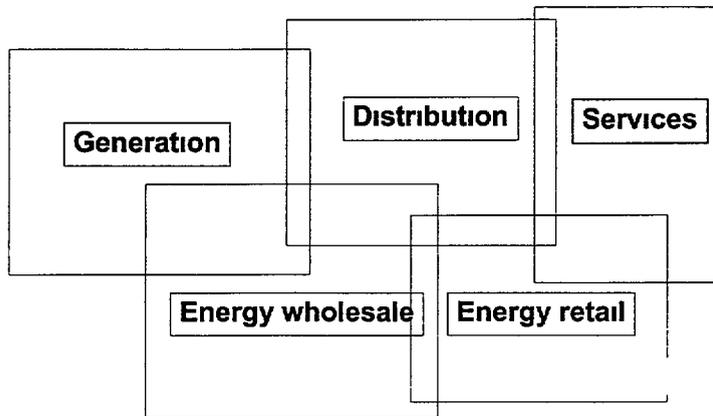


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Subsectors will appear



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What can these changes mean?

- number of market players will increase
- new players will behave in a different way
- how will prices and profits change?

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Prices - global trends

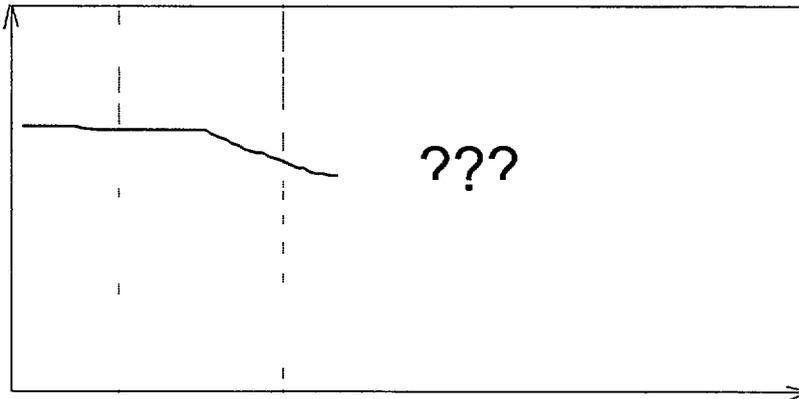
Trends after market deregulation

Industry	decrease of prices (in real terms) after			Yearly clients' savings after deregulation
	2 years	5 years	10 years	
Gas	10-38%	23-45%	27-57%	N/A
Telecommunication	5-16%	23-41%	40-47%	\$ 5 billion
Airlines	13%	12%	29%	\$ 19.4 billion
Automobile	N/A	3-17%	28-59%	\$ 19.6 billion
Railway	4%		44%	\$ 9.10 billion

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And profits?

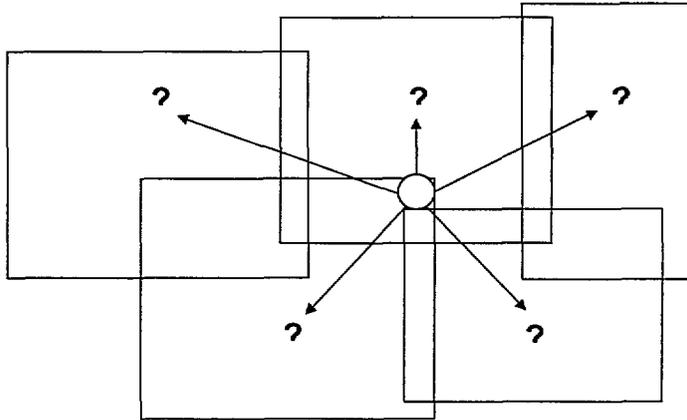


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What should a distribution company do in such situation ?



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Corporate Strategy



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- **Strategy guides us which way to take in order to reach the goal**
- **Performances measures help us check if all our boats go in the same direction**
- **And we have to row in the right way - strongly but evenly - reengineering process will ensure this**

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Key issues of the corporate strategy

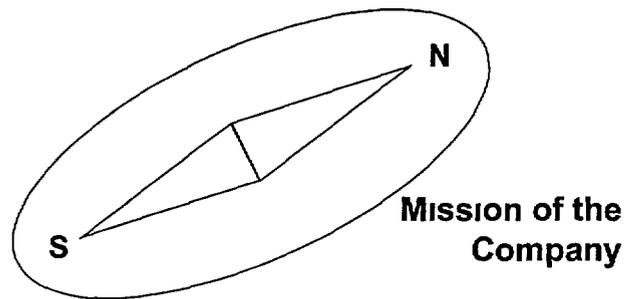
- **Understand the key success factors**
- **Define the market**
- **Drive to success**
- **Internal resources alligned to strategy**
- **Implementation plan**

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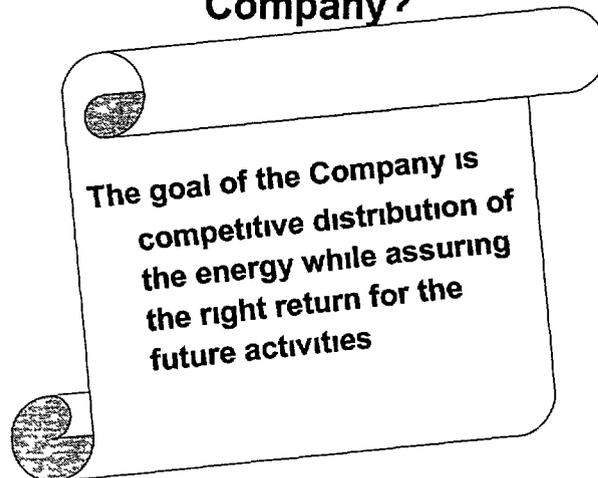
**Understanding what the company
wants to achieve is the key to
success**



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**Where does the mission lead the
Company?**



Do you recognize?

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- **Mission does not have to be written**
- **It is better to have short and clearly defined mission (even not expressed) than written truism**
- **Mission implementation is the key to succes**

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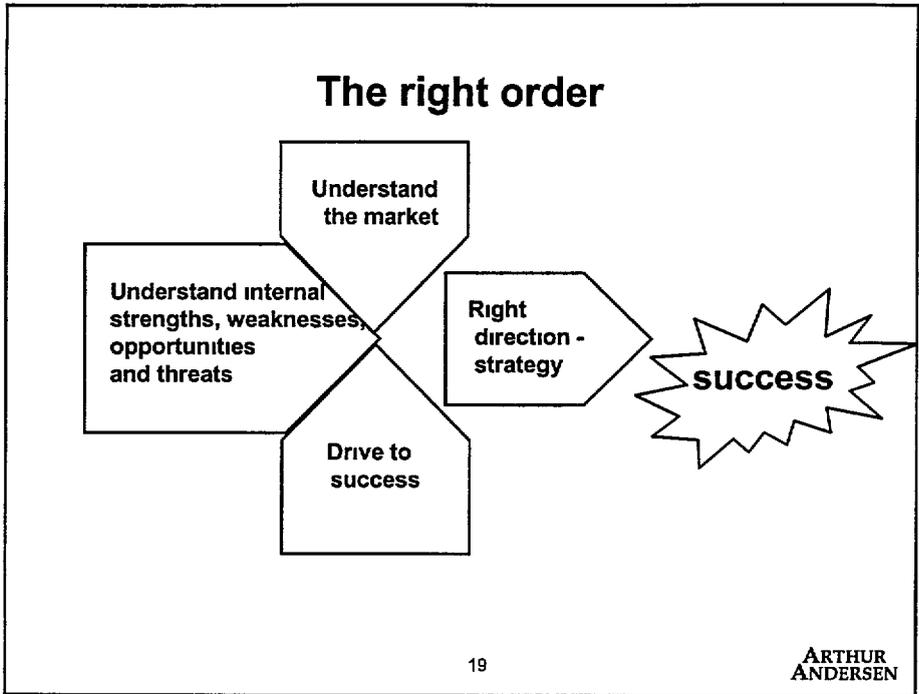
**Most business fail as a result of
market misunderstanding and
false believe that the company
succeeds**

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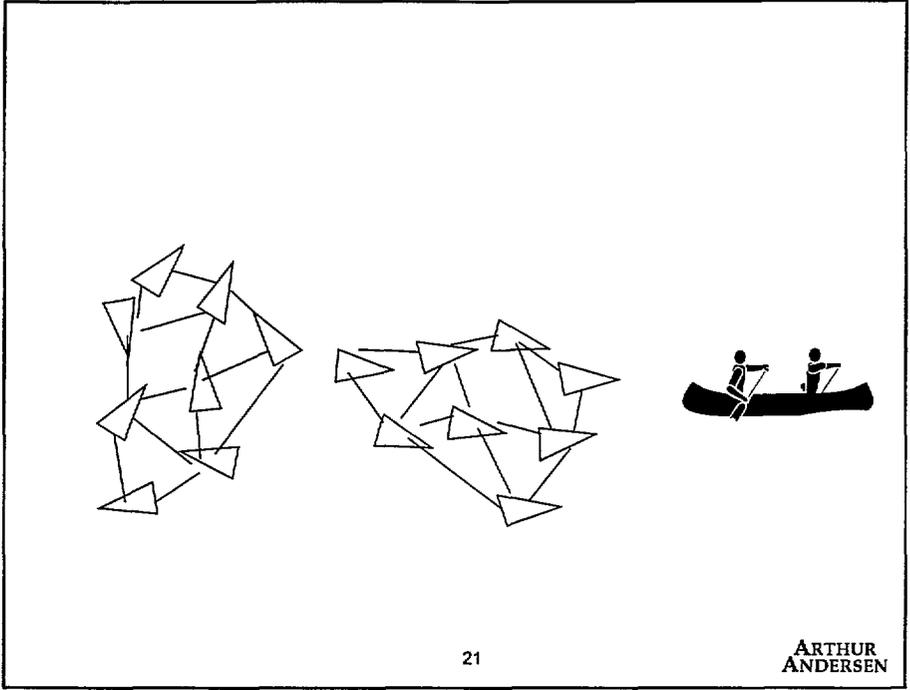
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Environmental analysis

Presentation prepared by Jakub Bielikowski

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Environmental analysis

- **There are several analytical tools used by companies**
 - PEST
 - „Five forces” by Porter
 - SWOT
 - and many others

For the energy market, however,

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**... they all are completely
useless**

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Method of analysis of the market in changing environment

Traditional thinking

Problem → Action → Result

Reality

Problem → Analysis → Action → Result
↓
New Problem
↑

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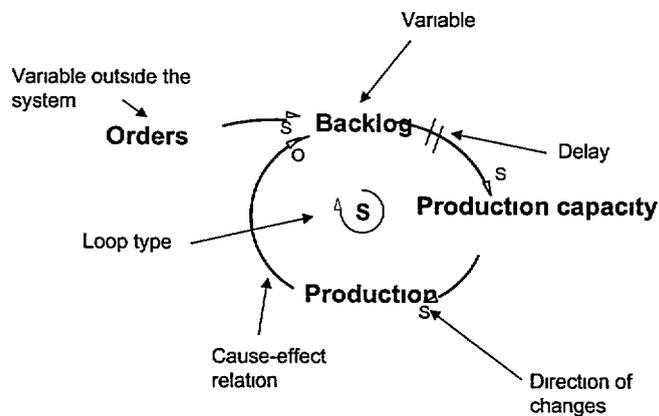
How to analyse complex problems

- **Systems thinking** is the method enabling to understand the market as a dynamic structure rather than separated transactions. The transactions are the result of the market behaviour caused by interrelations within the structure
- Causal loop diagrams show the relations within the system

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The structure of a causal loop diagram



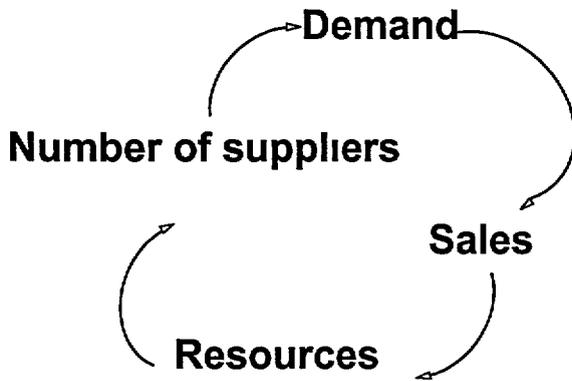
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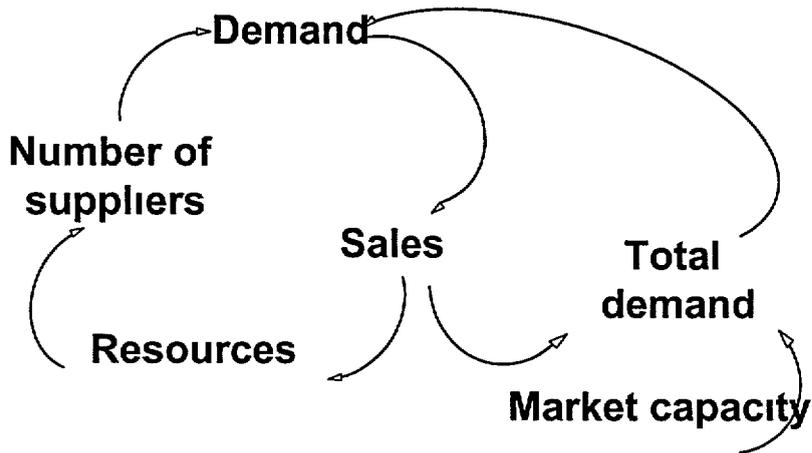
Example - strengthening loop



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Example of weakening loop



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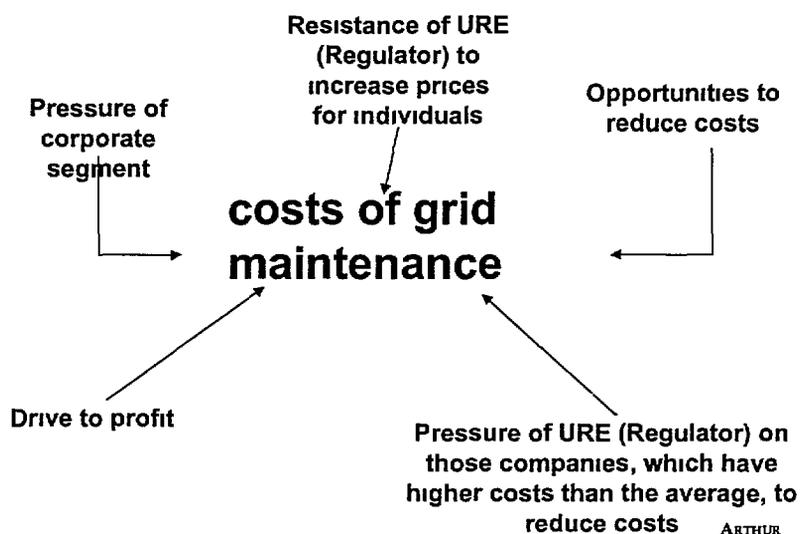
How will the following change:

- costs
- power grid maintenance costs
- grid development costs
- client service costs

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Maintenance costs depend on ...

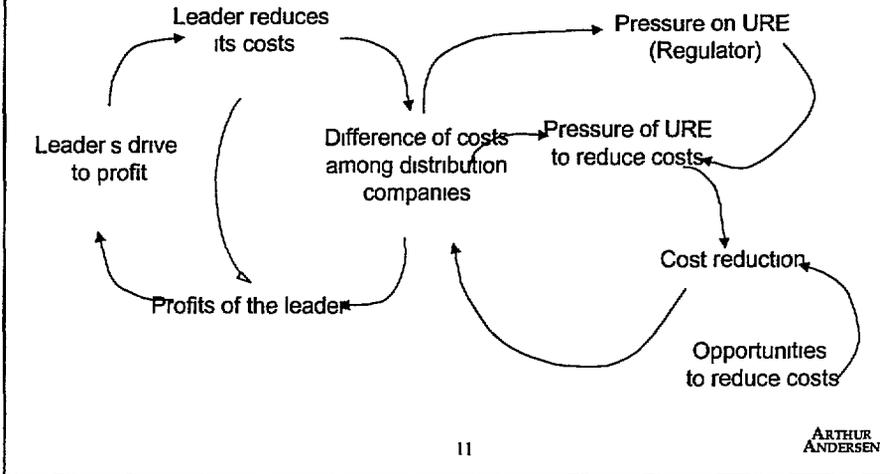


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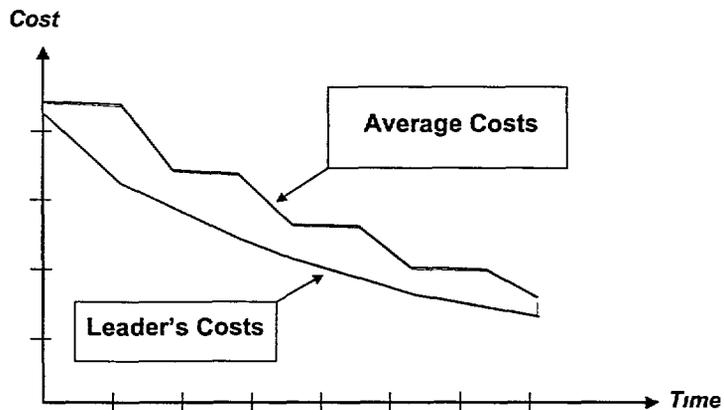
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Causal loop for maintenance costs



What is the result of such dependence?



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Conclusions

- Every company has to reduce costs
- It will be painful for every company
- Only few companies will be profitable

Of course, you may not agree with the model presented above. Another model can be built and different strategy developed.

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Following the same methodology

- grid development costs depend on
 - condition of the grid
 - grid condition expected by the Company
 - grid condition expected by the Customers
 - financial resources of the Company
 - cost of capital

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Following the same methodology

- **client service costs depend on**
 - quality of service expected by the Client
 - skills and experience of the employees
 - ability to reduce cost
 - pressure of URE (Regulator)
 - competition

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Dynamic model of energy wholesale

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Computer simulation

- we can build computer simulation based on earlier defined interrelations
- it allows to
 - simulate patterns
 - test the results

Example How will the new service provided by the Company be developing?

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Conclusions

- Traditional methods of analysis are useless if the rules of the game are changing
- Systems thinking allows to understand the environment e.g. not existing energy market
- Computer simulations enable companies to find the best way driving to success

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Analysis of the internal resources

Presentation prepared by Jakub Bielikowski

Seminar "Development and implementation of the
restructurisation strategy for distribution companies in Poland"
prepared by

Arthur Andersen Polska

Pułtusk, 26 November 1997

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**We know how to achieve success but is
our company able to achieve it?**

Internal success factors (1)

Is there anything that distinguishes us in the targeted market segments

- what can we do better than others ?**
- what do we have that others do not ?**
- what can we create, that others will not ?**
- are we able to understand and benefit from opportunities unrecognized by the others ?**

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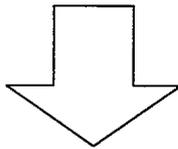
**The energy Companies are very alike They have similar strenghts and weaknesses as well
Sometimes the only competitive adventage is the drive to success**

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Internal success factors

The success of the distribution companies will depend on their behavior patterns and resistance to change these patterns



Culture of the Company

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What is the Company's culture?

- Patterns of behavior which we share and promote
- The values we trust (i.e. factors, which drive decision making process)

Culture is perceived by the way we talk, we dress and design of our offices

The culture is everywhere, invisible in all our activities

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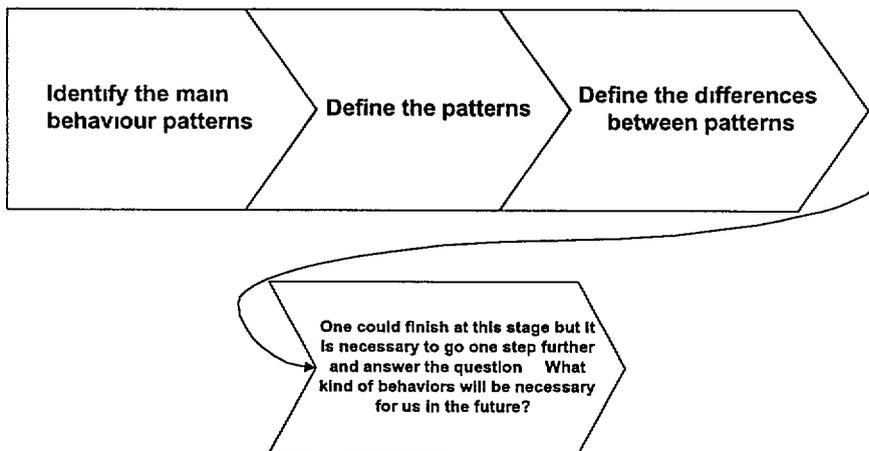
How did we analyse Company's culture in ZE Toruń

- observation of the behaviors
- confrontation of the believes - uncovering the roots of activities
- session aimed at culture understanding

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How to moderate a session aimed at understanding of Company's Culture



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How to identify the main behaviour patterns (1)

Methodology

- finish the sentences
 - „In our Company we really care about ”
 - „My Company is a ”
 - „Our Company is known, as ”
- „mini-journalism”
Five sentence article describing the Company in the best way
- visualization
 - „Our Company as a car, a dish etc ”

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How to define the patterns (2)

- Each group discusses the results of individual brain storming
- Group presentations
- Entire group work - what caused presented opinions ?
- Building value hierarchy
- Facilitator involvement

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What for?

- to identify internal obstacles to change
- to understand
 - what we have to change
 - what we have to develop

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Examples of internal obstacles in energy sector companies

- We are ashamed to gain a profit (the profit could be gained only by cheating the clients)
- It is better to do nothing than to do something wrong
- The winners are the people, who are closest to the CEO
- Safety above all

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Development barriers

And most important

- Nothing will beat us

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Conclusions

Company's culture today

Safety at work
Skills development
We do not take risk
Modern
Observe the procedures
Work record
It is worthless to work better

The necessary behaviors for the success in energy trading

Skills development
Profits of the company
The time of taking decisions
Innovation
Risk taking
Modern
I make a decision and take responsibility for it

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How to change company's culture ?

- to be aware of it
- to know what behaviors we want to create
- "You act like your leaders do"
- „You get what you measure"
- "Act rather than talk"

→ Drive to change ←

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What are the advantages of understanding Company's culture?

Enables us to

- choose the strategies we are able to implement
- change internally to be able to reach the goals
- reject the strategies that do not match us

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Today in energy sector

**“The Company itself is the source of its
success and the cause of its defeat”**

Articulation of the strategy

InterAct - Methodology of Arthur Andersen

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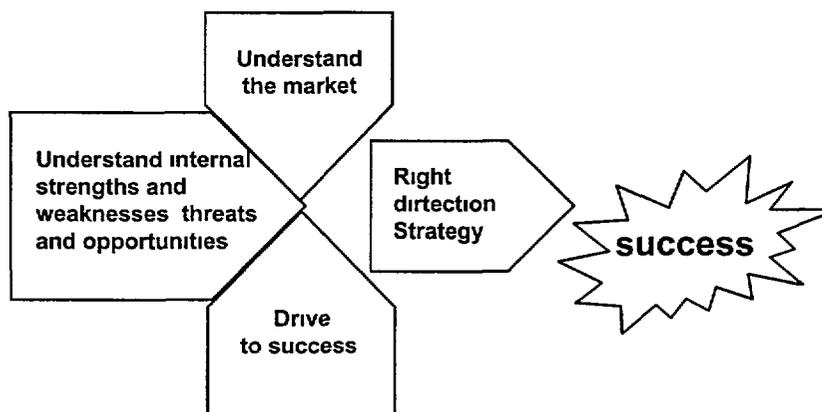
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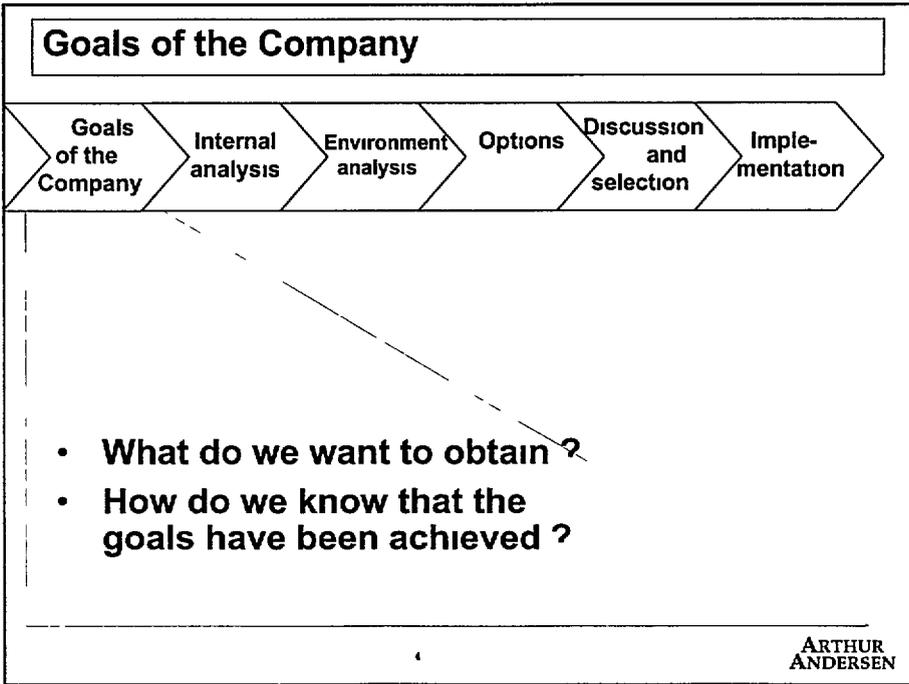
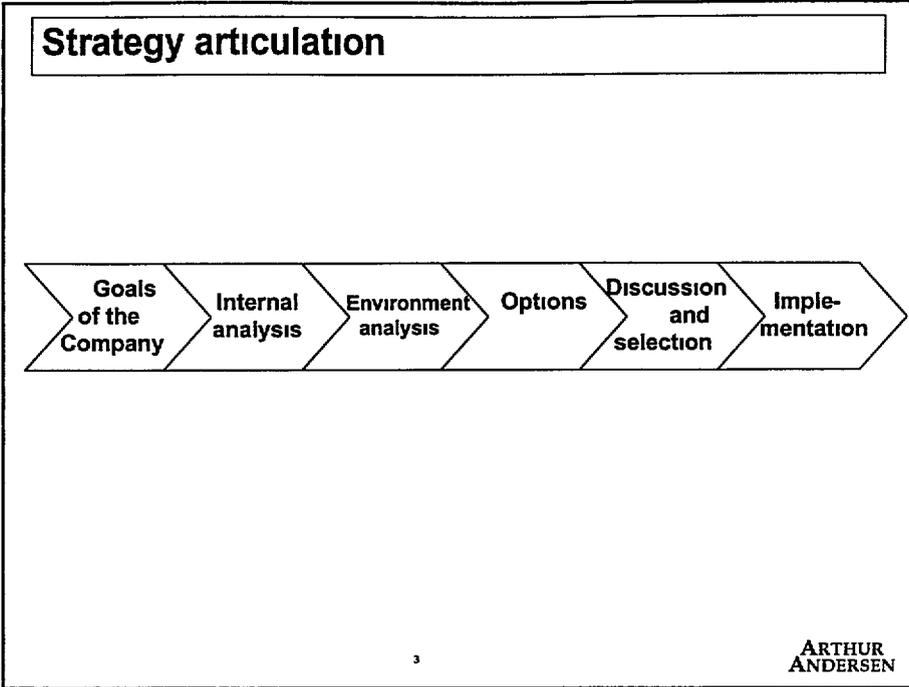
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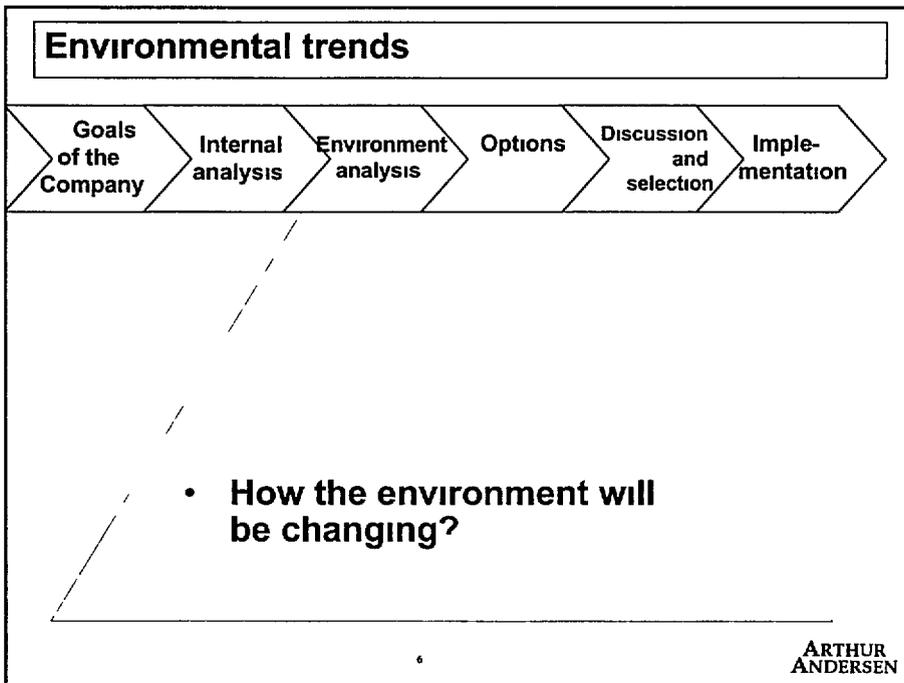
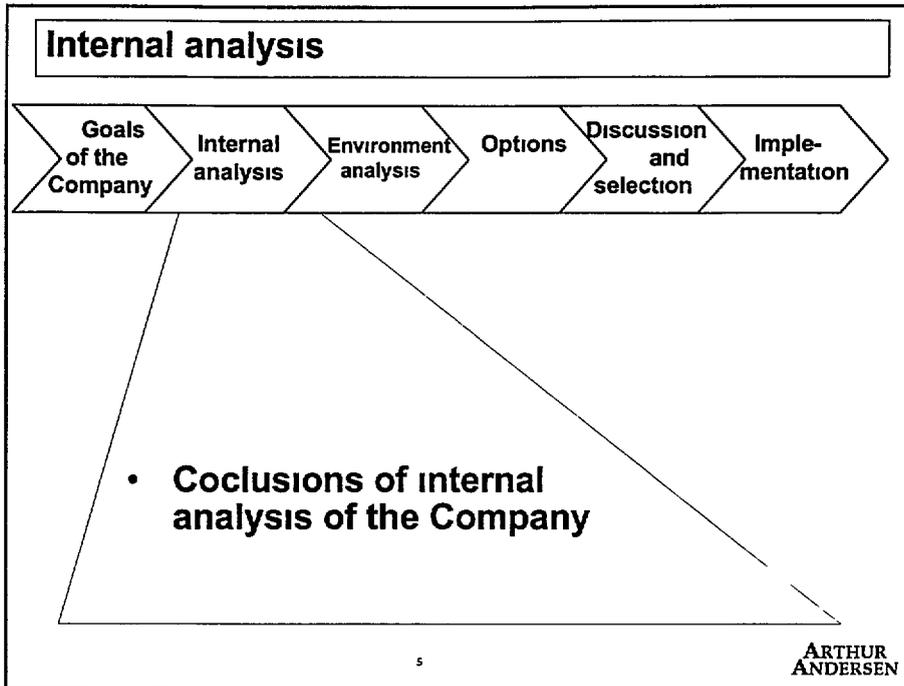


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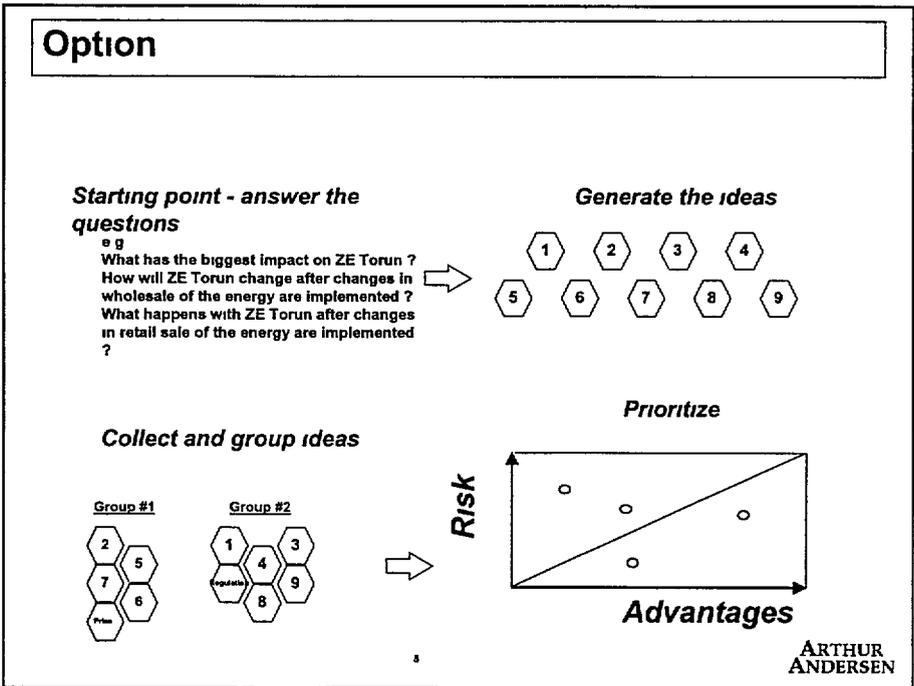
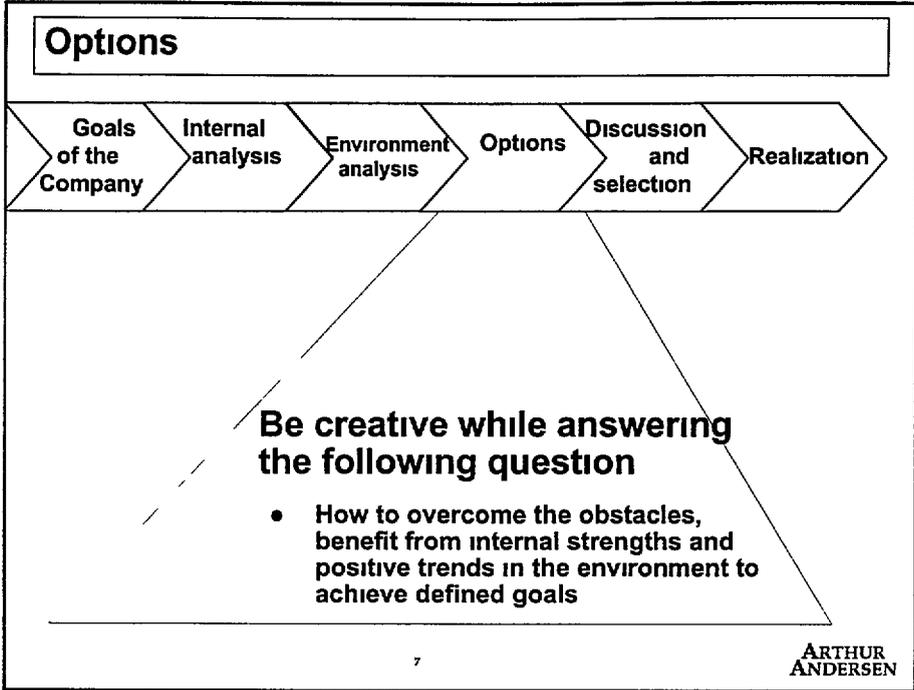
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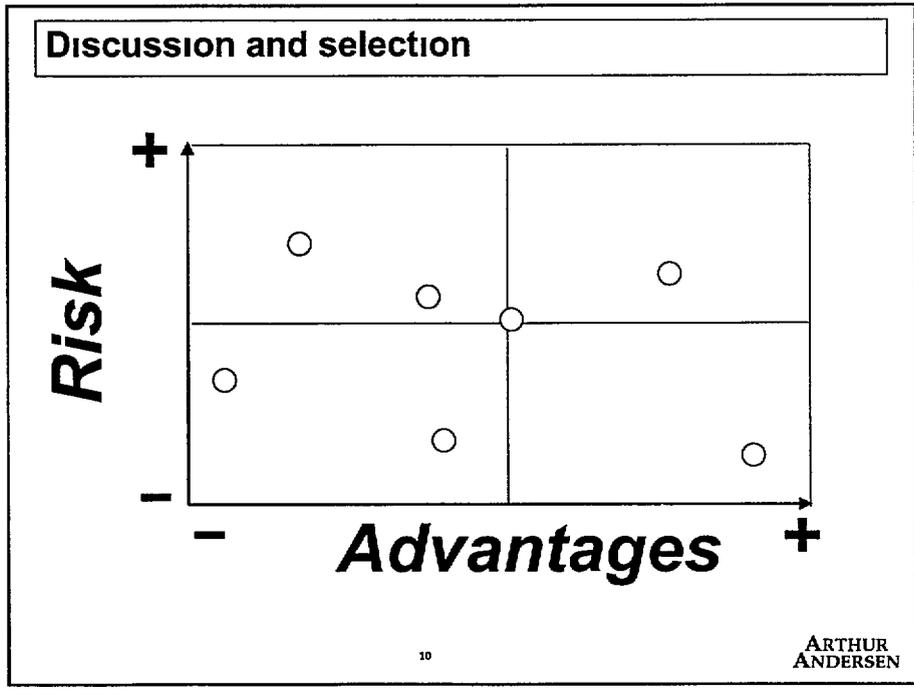
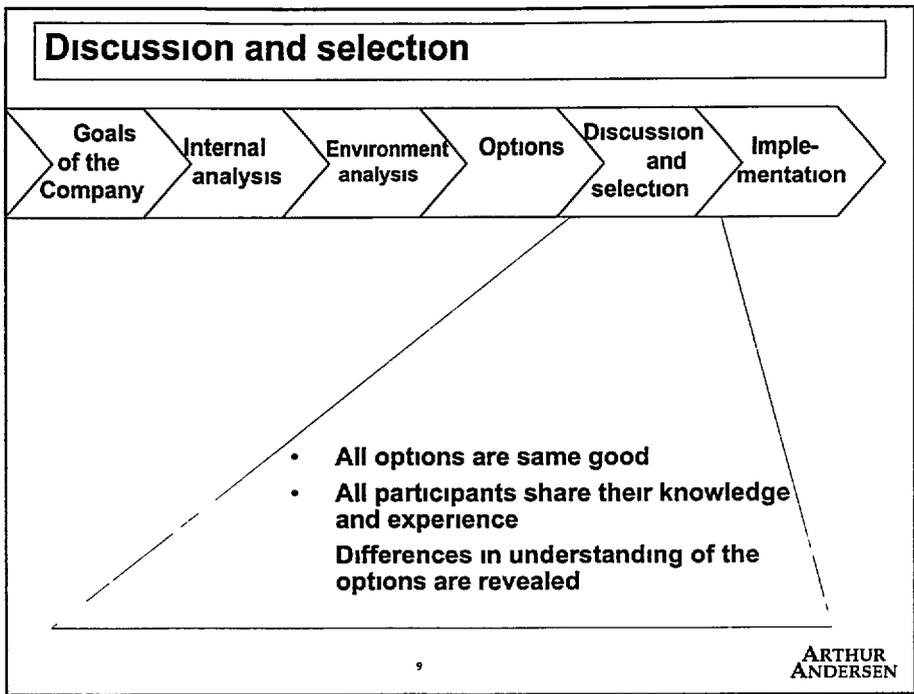
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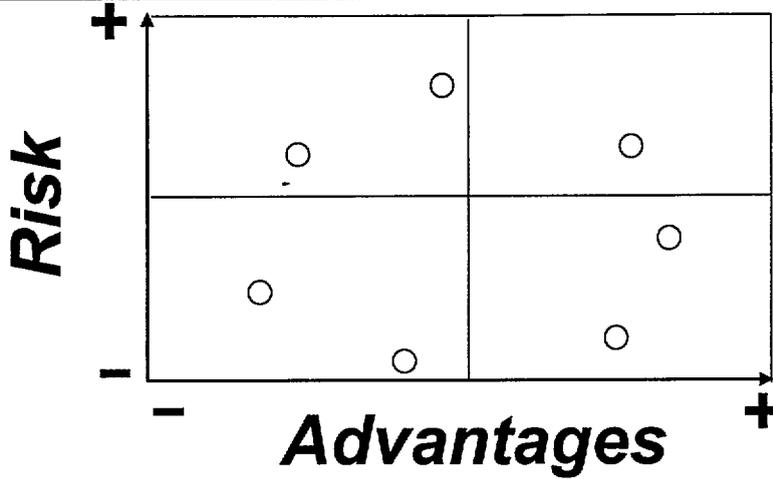


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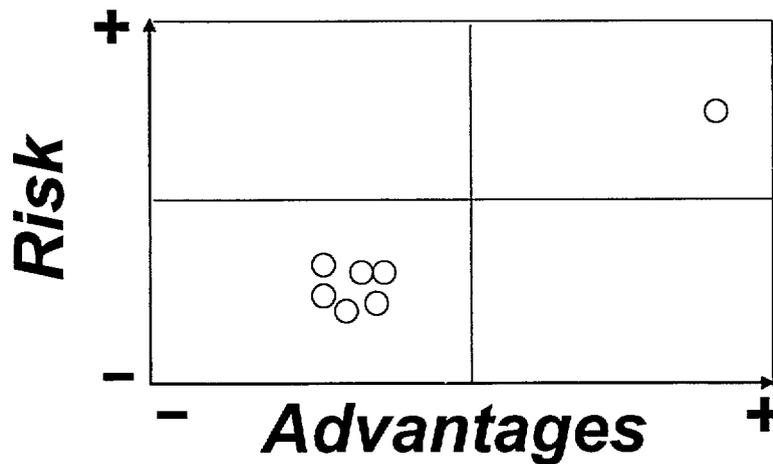
Vote analysis - what does it mean if people vote like this ?



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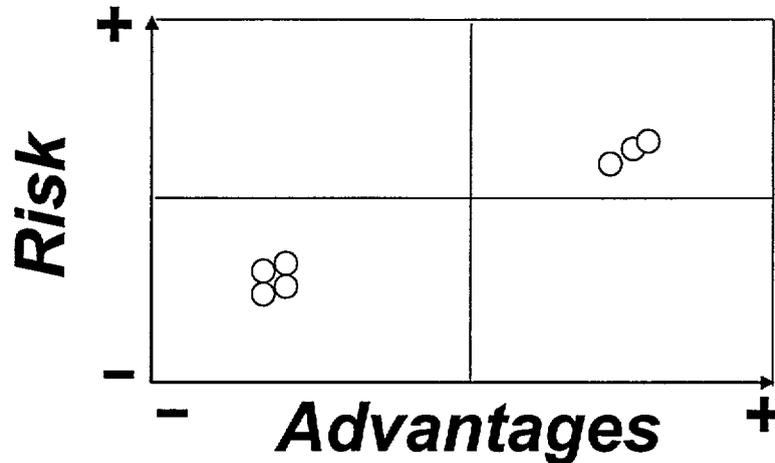
Vote analysis - what does it mean if people vote like this ?



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Vote analysis - what does it mean if people vote like this



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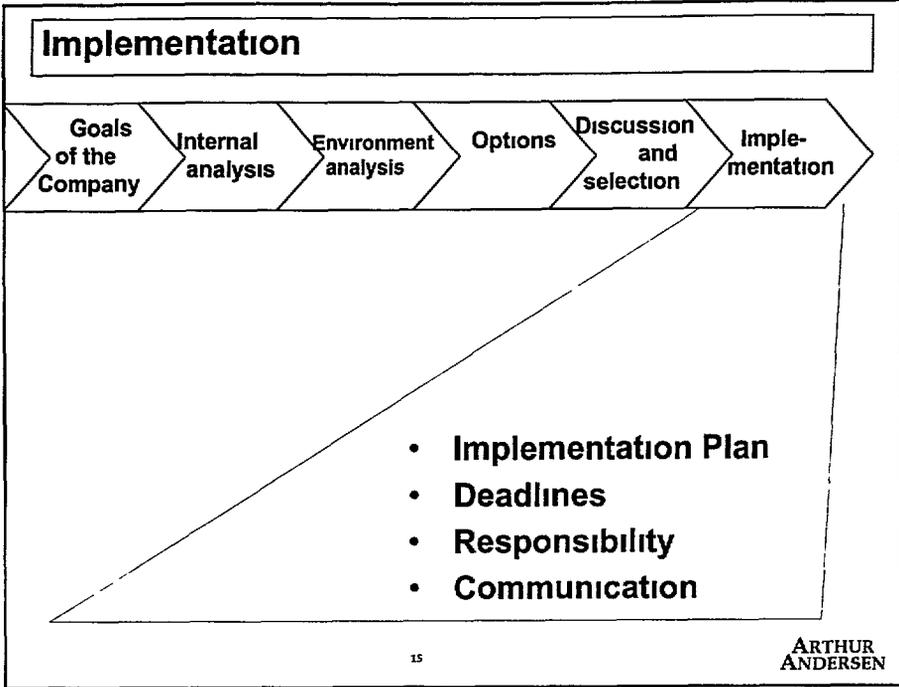
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Discussion

- **Group discussion of the options**
- **Discussion as a form of communication and verification of the strategy**

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Strategy

Variety of strategies of distribution companies

Presentation prepared by Jakub Bielikowski

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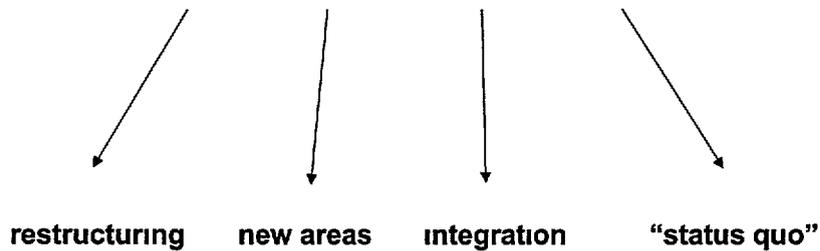
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Conclusions of work for ZE Toruń

- What strategies do distribution companies have?
- What advantages result from strategy development ?

Variety of strategies of distribution companies



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"Status Quo" strategy

- we are waiting
- we do nothing
- let's URE (Regulator) worry

Advantages

- small effort
- painless at the beginning
- low cost
- it has worked till now

Disadvantages

- the changes will come earlier than we think
- energy sector will not be protected

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Review of strategies

Restructurization

new better way of
assets utilisation of
and grnd repairs
cost reduction
value added services
regional development
client base
development
energy market
development

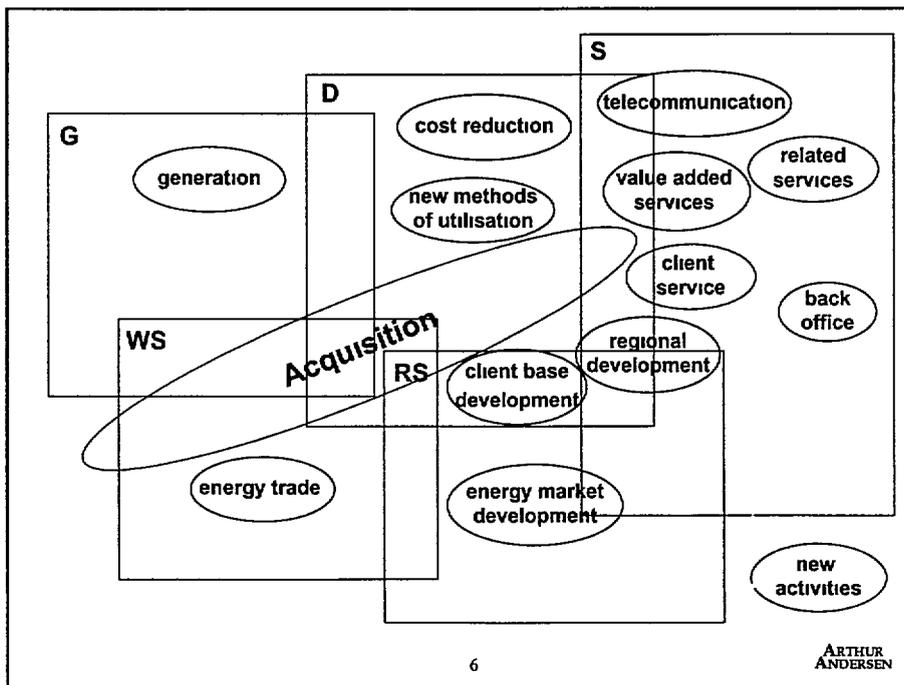
New areas

trade of energy
telecommunication
related services
back office
new activities

Integration

power generation
regional integration
acquisitions

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Review of strategies - (1)

New methods of assets utilisation Cost reduction

Disadvantages

- unpopular
- serious obstacles to break
- what to do with employees ?
- we lose our profit
- not very exiting

Advantages

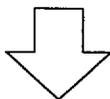
- necessary - "do not try to clean your neighbour's house unless you have a mess in your own"
- puts others in worse position

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Success "of house cleaning"

- Depends only on the Company itself
- The biggest impact on the Company's culture
- It is necessary to create demand for change
- It is costly e.g. know-how



A lot of of success stories in energy and
other sectors

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Value added services

Create portfolio of services related to power distribution for current client base

Disadvantages

- lots of thinking required
- changes in motivation system
- contrary to current culture
- not very spectacular
- have to be efficient in core business

Advantages

- simple, low risk
- supports changes in core business
- the way people work creates new work places
- culture - value for client, flexibility

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- Value added services

- **Create the portfolio of services**
 - be creative
 - listen
 - watch
- **Set goals**
- **Appoint responsible people**
- **Reward results**
- **Cooperate with clients and local authorities**
- **If necessary - find partners**

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Regional cooperation - real chance

- **Some companies have good experience**
- **Partner is surprised**
- **It is necessary to break barriers - forgive small things to win bigger issues**
- **Regional thinking more efficient**

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Value added services - how?

Be aware of pricing !

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Client base development

Look for new clients on your own and competitors' markets - to trade and to distribute

Examples

- **by "buying out" new clients**
- **servicing "grid clients"**
- **energy trade and services as the first step**

**Joint strategy - energy market development
„Selective client support“**

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Client base development - problems

- **contrary to current rules (unwritten law)**
- **need for innovation**
- **requires effective decision making**
- **have to be internally effective**

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Statement of the day - energy trade

- New business
- Everyone “feels” the money
- No one knows what the future energy is like

two markets

transactions

brokerage

- Spectacular success stories
- Others DO SOMETHING - do we also need to do “something”?
- How to start?

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Energy trade

Disadvantages

- high risk
- we are not experts
- absolutely contrary to ZE principles
- we can win only when others loose
- not big money for the most of the companies

Advantages

- big money at the beginning???
- tool of market development
- take away from others

Questions

- If we decided to do something -should we go alone or with partners?
- If with a partner - whom to choose?
- Why might this partner need us?
- Perhaps we will have to do it, anyway

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Second statement of the day - Generation(1)

„Regional energy markets”

**What can (distribution companies) bring in
generation of energy ?**

↙ ↘

their markets (clients)	lack of experience
sometimes location	lack of skills
	lack of money

**Will local (later maybe global) power plants really
gain profits?**

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Generation (2)

After all there are some advantages

- **risk diversification**
- **regional development**
- **investment in “core business”**
- **profitable if performed with the right partner**

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Charm of telecommunication

Advantages

- High growing market
- Currently - high profits
- Closer contact with clients
- Energy companies have to invest infrastructure anyway
- Partners are ready
- Way to gain skills that will be useful in core business

Disadvantages

- Growing competition
- Lack of skills
- High investments are necessary - it can ruin core business
- Regulation risk

Some selected areas

In some regions of Poland opportunities are bigger

- Should we look for partners?
- Capital resources utilization

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Integration

Three ways of integration

horizontal

water supply companies

- PEC-e (Heat distribution companies)

Gas distribution companies?!

vertical

generation

M&A

take over or
be taken over

Why should distribution companies merge

→ to take over clients of competitors

→ to gain operation advantages

→ , bigger is stronger"

but

is it possible to integrate effectively without market demand

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We develop services

Diversification in services

- infrastructure
- client service
- back office
- other - but are they profitable?!

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What next?

But what is the right strategy for My company?

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Criteria

- I can see an opportunity
- I understand it
- I want
- I am capable
- If I am not, I can be - soon

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**Creating a strategy is only the first step - it is
also necessary to implement it**

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PMS

Performance Management System

Seminar "Development and implementation of the
restructurisation strategy for distribution companies in Poland"
prepared by

Arthur Andersen Polska

Pultusk, 26 November 1997

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Goals of a distribution company

- We supply energy:**
- Without disturbances
 - At the lowest possible cost
 - With constant increase of effectiveness of our operations

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How do we know that we achieve our goals?

How do you know that the company:

- supplies energy without disturbances?
- supplies energy at the lowest possible cost?
- increases effectiveness of operations?

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How do we know that we achieve our goals?

How do the managers know that they help the company to:

- supply energy without disturbances?
- supply energy at the lowest possible cost?
- increase effectiveness of operations?

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How do we know that we achieve our goals?

How do the employees know that they help the company to:

- supply energy without disturbances?
- supply energy at the lowest possible cost?
- increase effectiveness of operations?

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How do I know ?

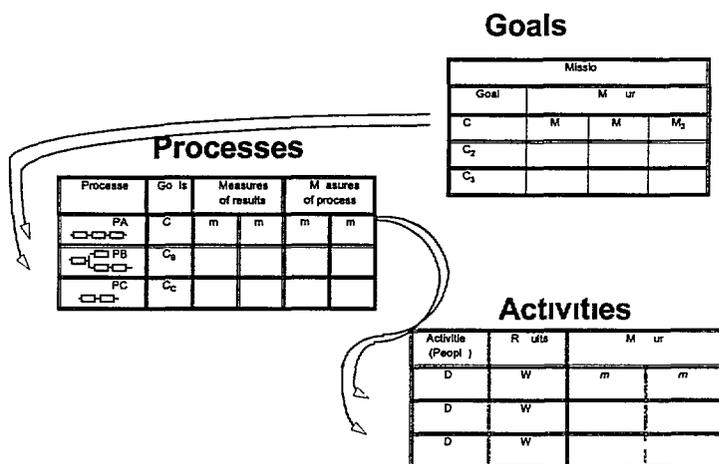
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SS

Performance Management System



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Example

The Company's goal:

- to assure client satisfaction

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Question.

**Which processes in the Company
have direct impact on client
satisfaction?**

- new connections
- energy supply
- billing
- collection
- claims

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Example

New Connections

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Question

What factors in new connections process have direct impact on client satisfaction?

- Time required for new connection
- Quality of service

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Example

Time required for new connection

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Question

How to measure this factor ?

Average time required is

Total time of waiting for clients applications

Number of new connections in a given period

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Results

Low average time of waiting for connection.

- 10 client applications were not managed last month
- "Difficult" applications were put on a shelf
- Applications are usually dealt with at the end of a month

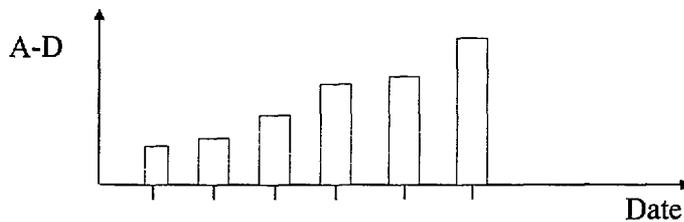
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Is there a better way of measuring?

Application - Days

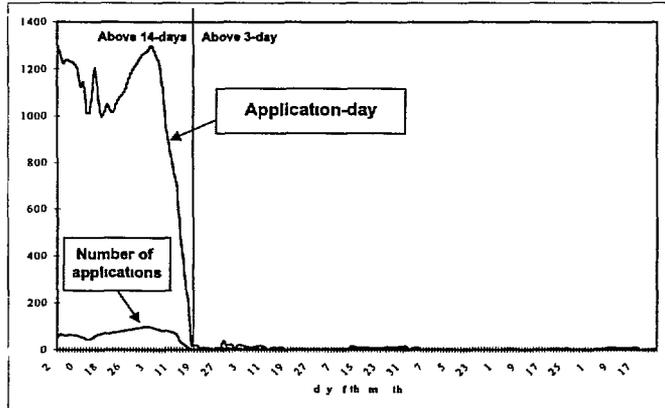
- The total number of days the client applications are waiting for a decision



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Results achieved in ZET



Number of applications and average time of waiting for decision in ZE Torun (from the day of application to the day of decision) over 14 and over 3 day period from Dec 1996 to Jun 1997

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Measuring changes the behavior...

... and contribute to the success of the Company if:

- we measure what is important for the Company
- and only what is important for the Company!

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Film presentation-

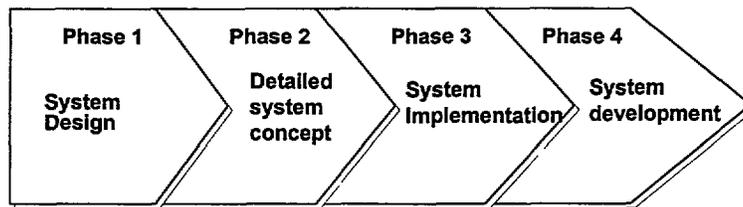
How does the measurement system influence employees behavior ?

Film presentation "The Sid Story"

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Methodology of Performance Management System



The specific description of this method is included in the report "Introduction to Performance Management System"

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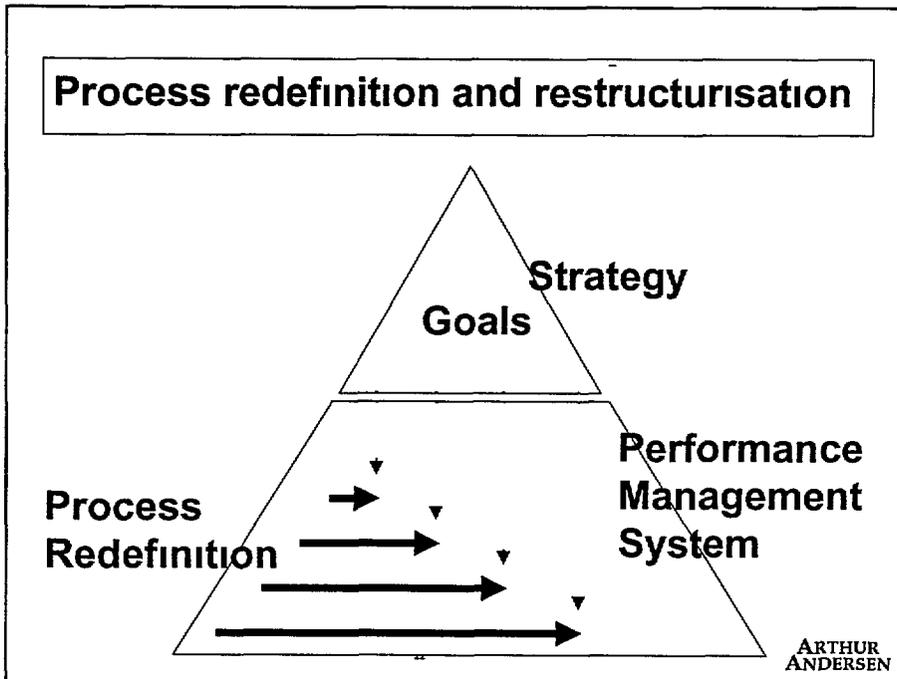
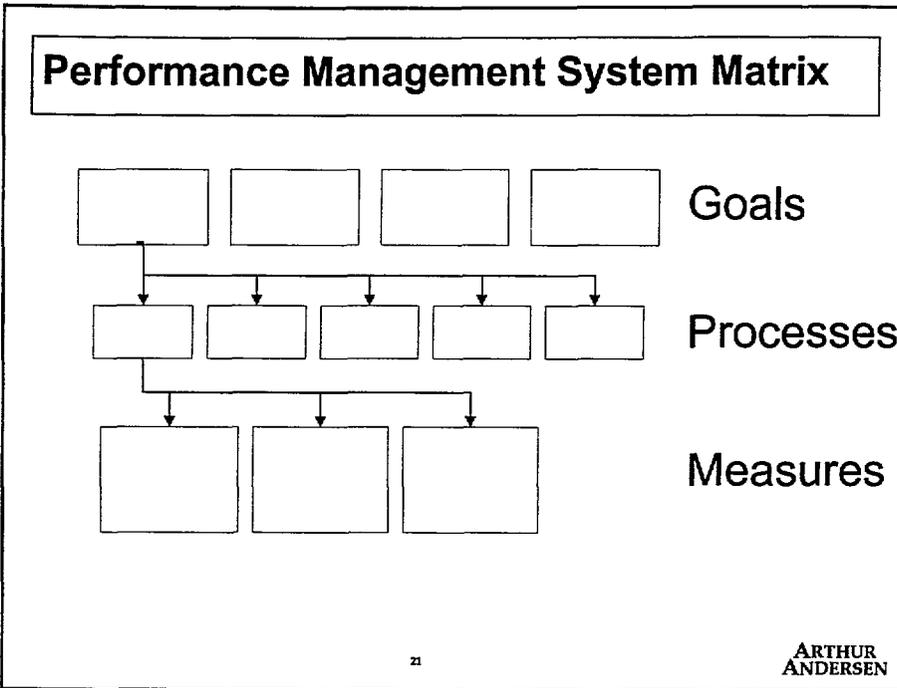
Performance Management System Matrix

	Processes	Goals
1	Development planning	Client Satisfaction
		Profit / Costs / Effectiveness
2	Connection terms	Client Satisfaction
		Profit / Costs / Effectiveness
3	New Connection	Client Satisfaction
4	Grid utilisation	Client Satisfaction
		Profit / Costs / Effectiveness
		Safety
		Environment
5	Meter exchange	Client Satisfaction
		Profit / Costs / Effectiveness
6		Profit / Costs / Effectiveness
		Security

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Workshop

**Business Process Reengineering - increasing
efficiency of the distribution company**

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Pułtusk, 26-28 November 1997 roku

USAID



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Business Process Reengineering

Introduction

Workshop "Development and implementation of the
restructurisation strategy for distribution companies in Poland"
prepared by

Arthur Andersen Polska

Pułtusk, 26 November 1997

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1

Introduction to Business Process Reengineering

- **Process reengineering versus restructurisation**
- **Traditional organizational chart and process flow**
- **Processes in the company - example of ZE Toruń**
- **Process improvement**

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Why it is worth thinking about process reengineering ?

Business Process Reengineering is a tool designed to make deep changes in the company

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Process reengineering versus restructurisation

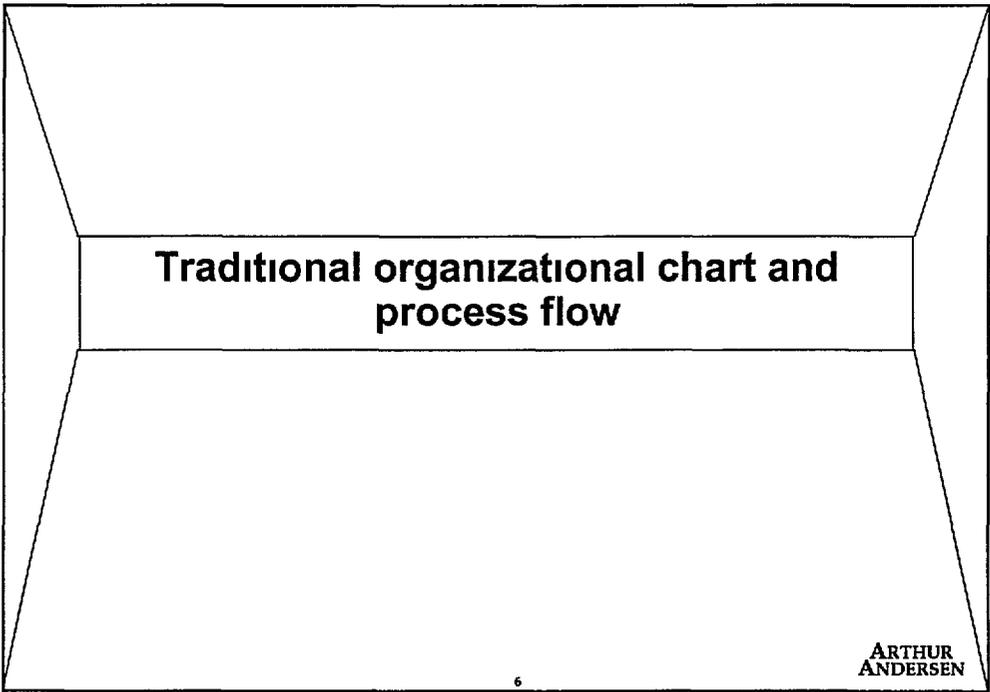
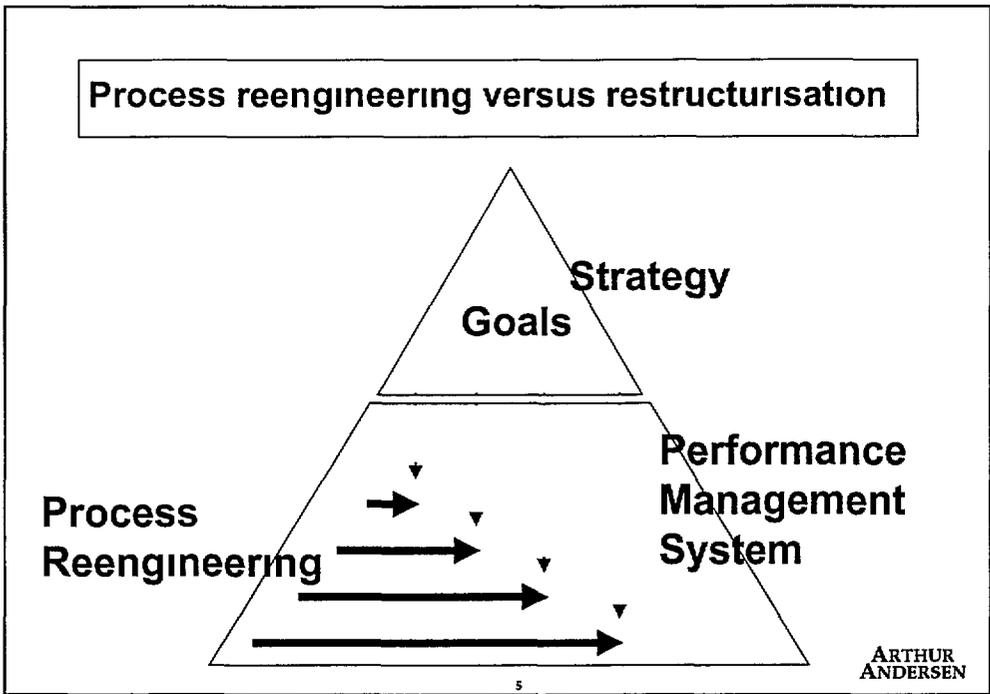
Answers to following questions can help the Company decide whether to restructure or not

- **Where should our company go?**
- **Is the entire company really going in the same direction?**
- **How effective are we and does it lead us towards the selected goal?**

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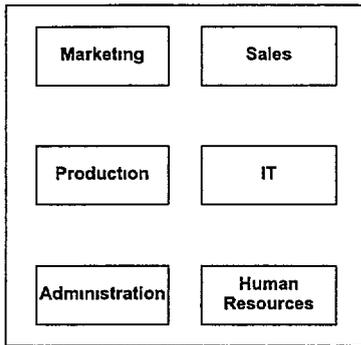
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Traditional organizational chart



Employees perceive a Company through its departments

what creates functional silos

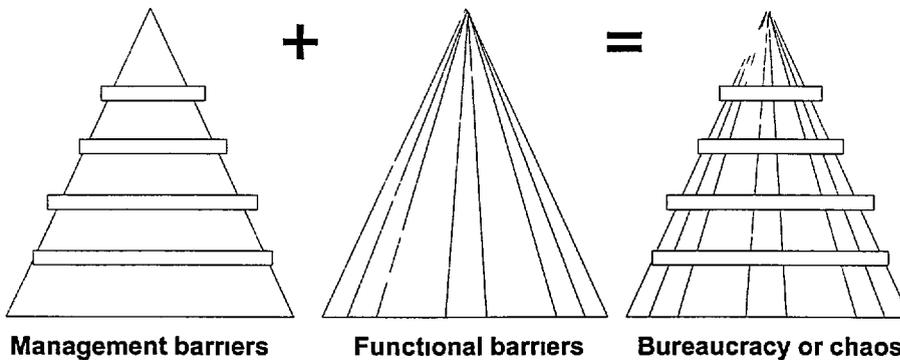
Silos do not reflect interdepartmental relationships

Department goals are more important than Company goals!!!

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Traditional organizational chart



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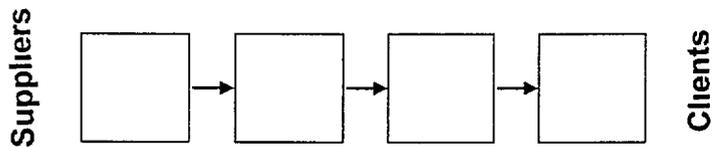
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What are the processes?

Processes are the way companies operate

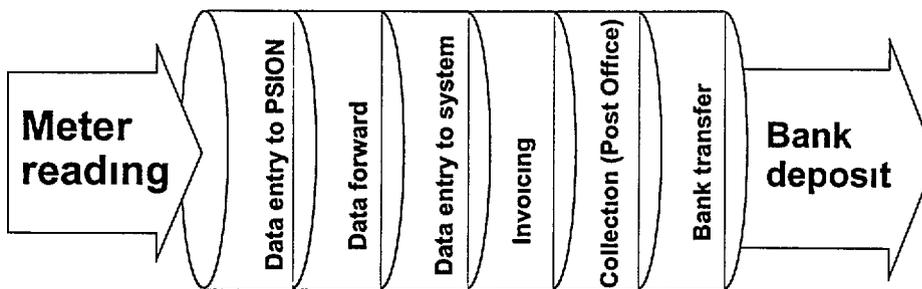
Each company can be defined as number of processes



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Process perspective

Meter reading, billing and collection



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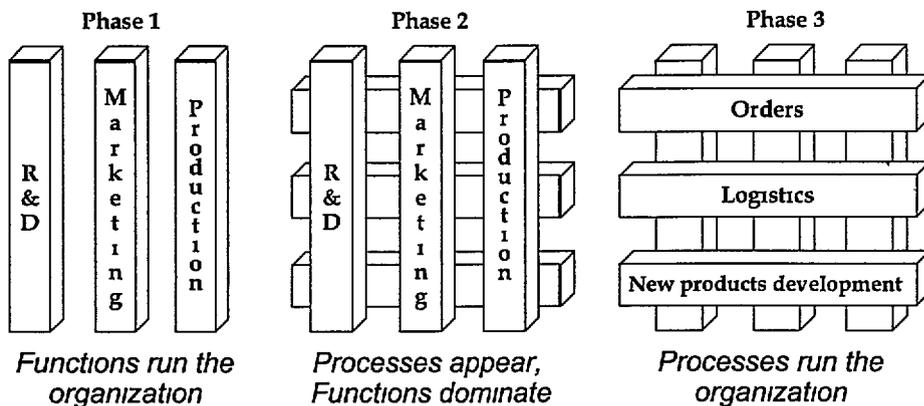
Process perspective

- Business is run based on processes, not departments
- Processes link departments
- Processes flow through entire organization and are not limited to specific departments

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From functions to processes



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Two main reasons for Business Process Reengineering

- Process mapping helps identify activities, which do not add value
- Business Process Reengineering results with cost cutting and increased efficiency

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Sales versus Production

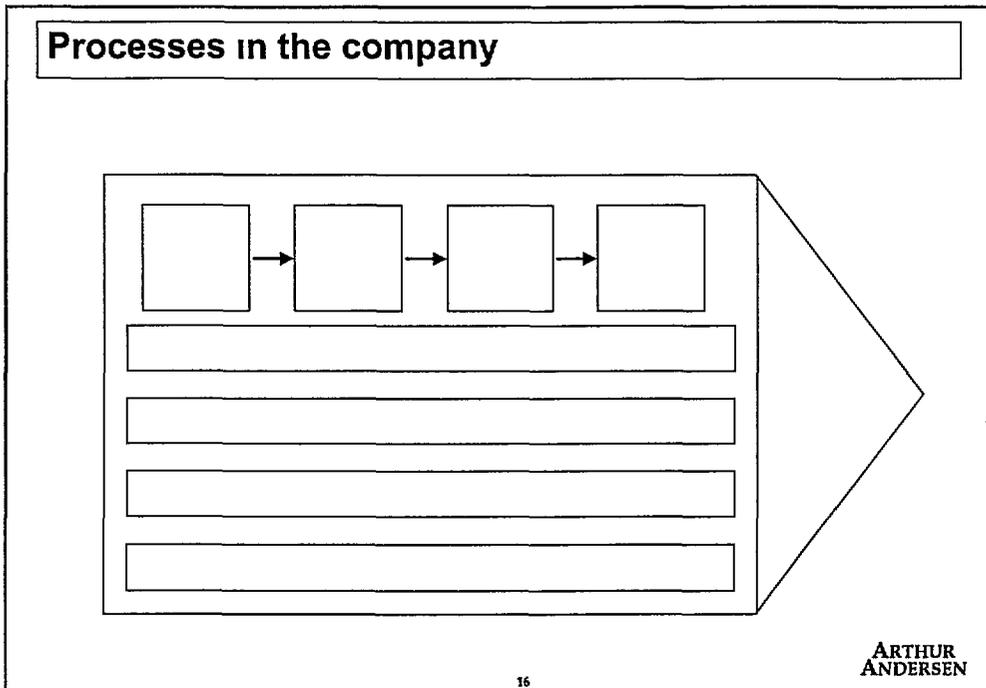
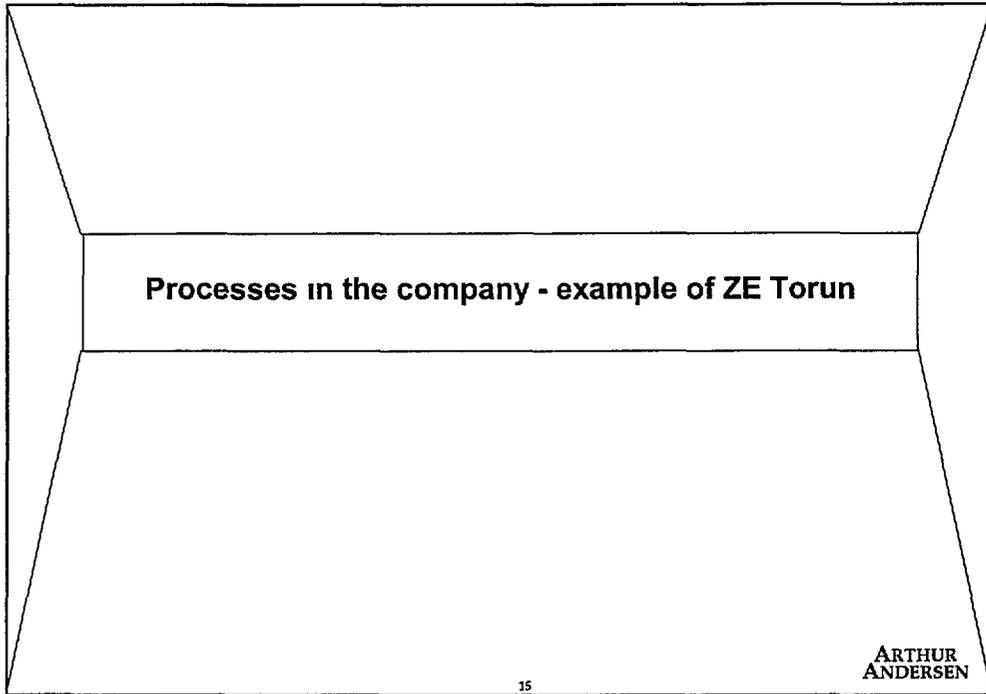
SALES ↘
↙ PRODUCTION

- Orders not processed
- Overtime production
- Full warehouse

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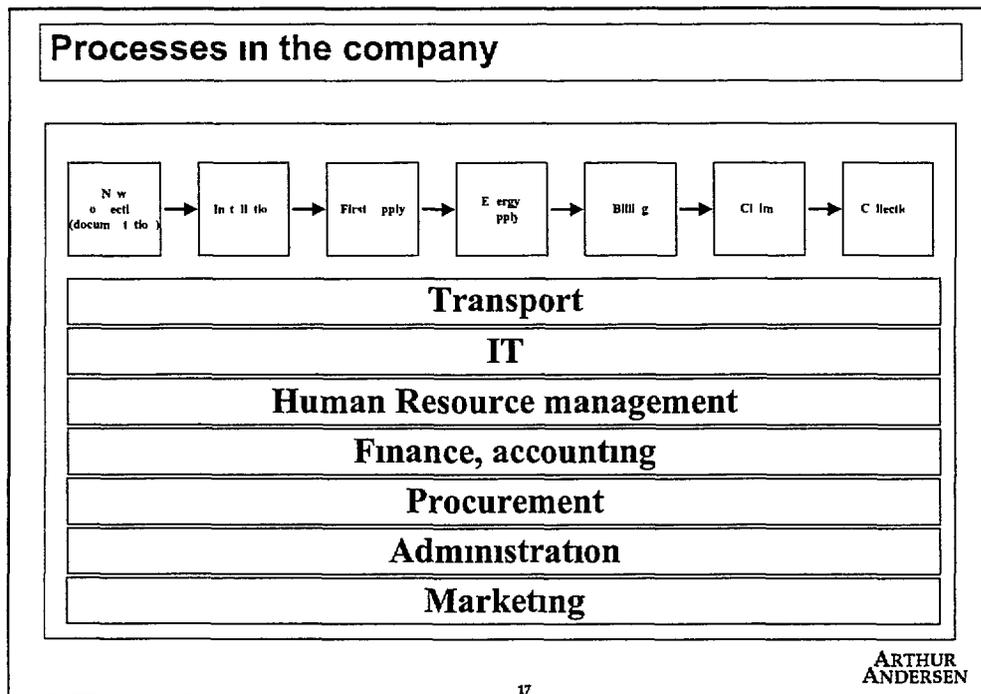
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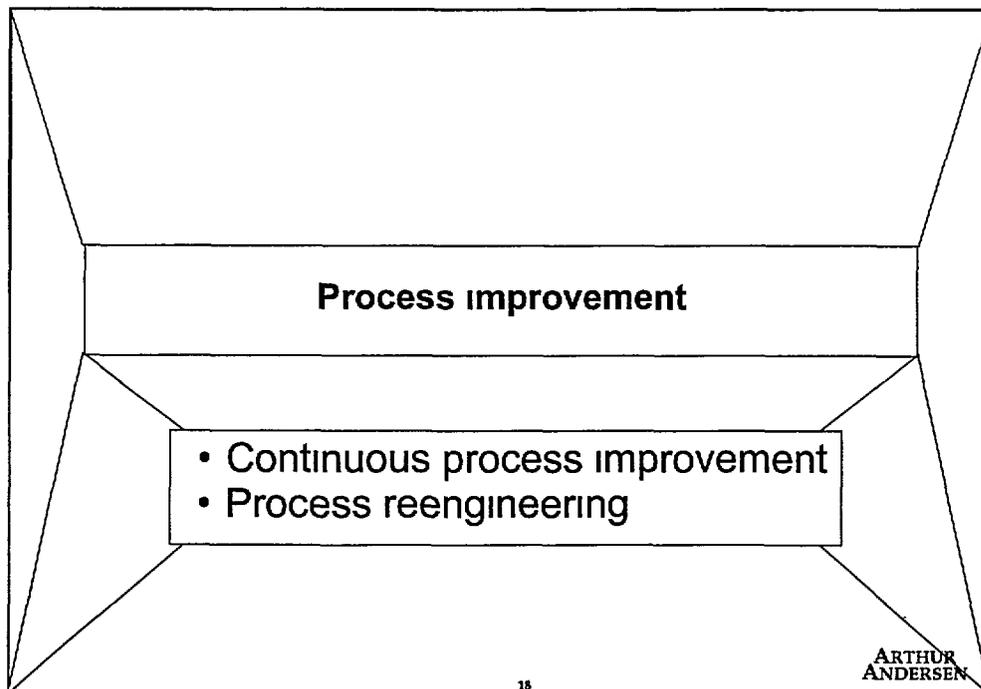


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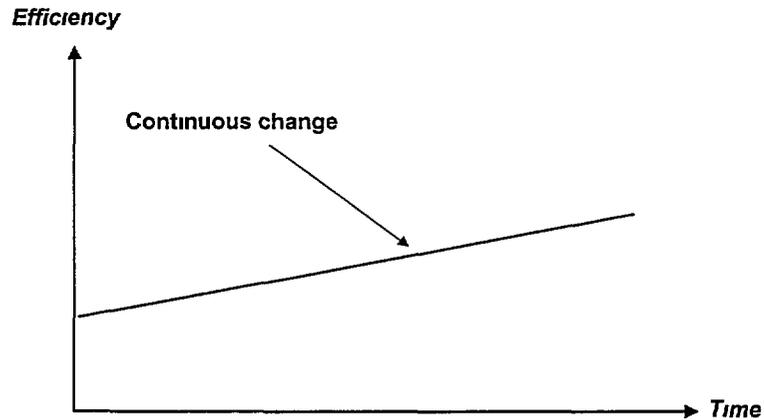
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Continuous process improvement



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Continuous process improvement

- **Total Quality Management (TQM)**
- **Benchmarking**
- **Performance Management System (PMS)**
- **Management By Objectives (MBO)**
- **Quality improvement groups**

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Reengineering

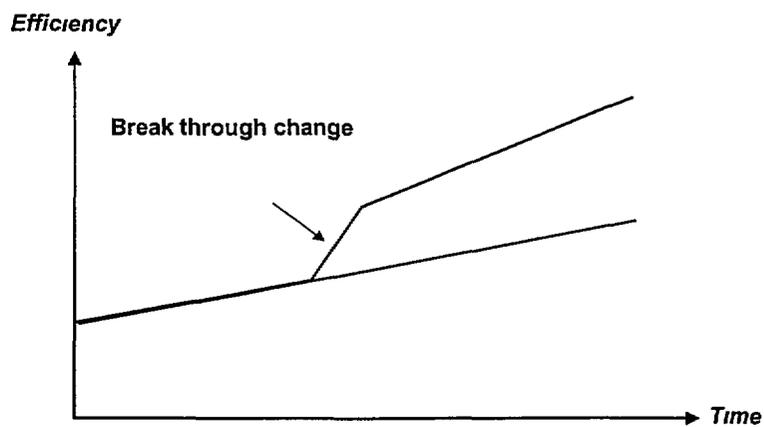
"Start the work with a blank sheet of paper"

"If we started building this company from scratch now, what would we do?"

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New level of efficiency



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Business Process Reengineering

METHODOLOGY - PROCESS MAPPING

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restructurisation strategy for distribution companies in Poland"
prepared by

Arthur Andersen Polska

Pułtusk, 27 November 1997

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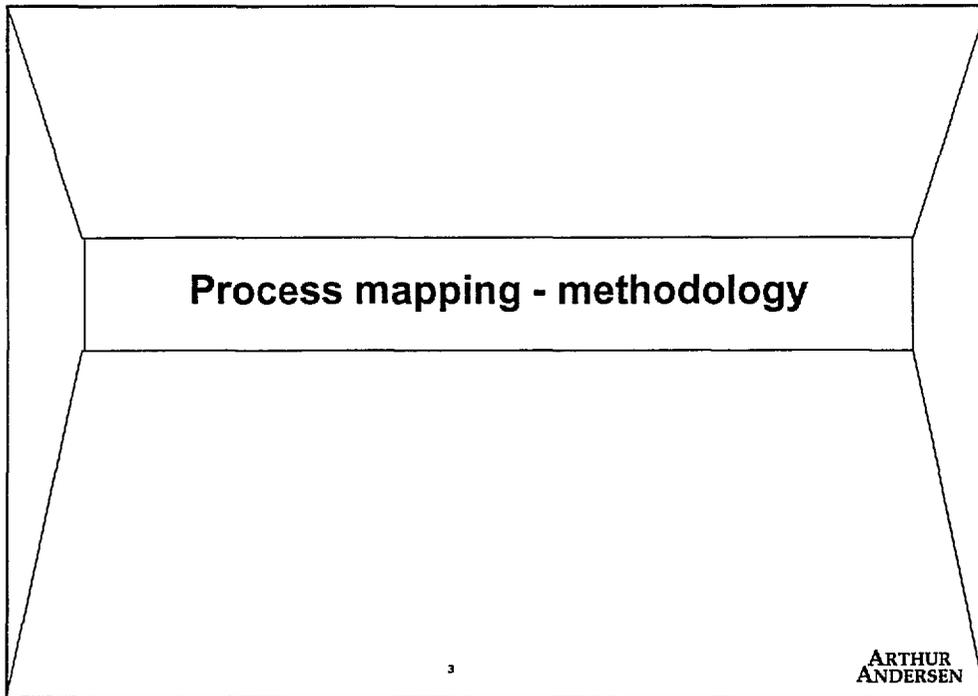
How to analyse processes? - workshop

- **Process mapping - methodology**
- **Process mapping - exercise**
- **Map analysis - process evaluation**

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Process mapping

Definition

- **Process mapping is a tool designed to analyse, understand and document the processes and operations. It helps identify improvements and increase efficiency.**

Process map represents sequence of operations performed to achieve the goal

```
graph LR; Start(( )) --> S1[ ]; S1 --> S2[ ]; S2 --> D1{ }; D1 --> S3[ ]; D1 --> D2{ }; D2 --> S4[ ]; S4 --> End(( ))
```

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Process mapping

Process mapping helps

- Understand how the company operates
- Recognize how to improve the operations

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Information required for process mapping

Operations
Main operations in
the process

Output
Process' products

Input
Materials and
activities

Responsibility
employees taking
part in the process

Clients
Clients of process'
products

Time & Costs
of specific
operations in the
process

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Process mapping - exercise

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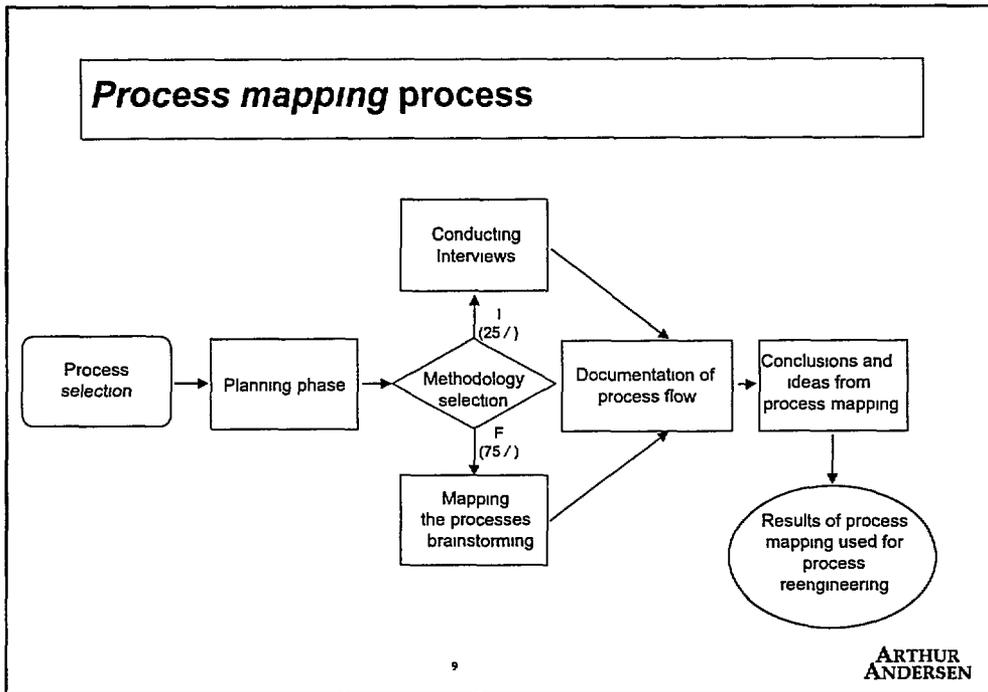
Exercise

**Process of shopping at the
butcher's**

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- ### Process mapping - necessary skills
- ◆ Set up phase
 - Methodology learning (ex what does each symbol means)
 - Team set up (employees familiar to the process)

 - ◆ Execution phase
 - Group facilitation
 - Cost time frame and quality of process analysis
 - Resources allocation (employees skills technology) analysis

 - ◆ Documentation phase
 - Optima software
 - Standard formats for conclusions
- 10
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Process mapping - guidelines

- **Begin with general outline to get to detailed description**
- **Define the start point and the end of each subprocess**
- **Define all inputs and outputs**
- **Physical "walk - through" of each subprocess (optional)**
- **Identify possible process improvements**
- **Define measures of the process**
- **Verify the process map**

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Process mapping - exercise

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Problem

**Process of cash payment of
employees salaries**

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Process Reengineering

METHODS OF PROCESS MAPS ANALYSIS

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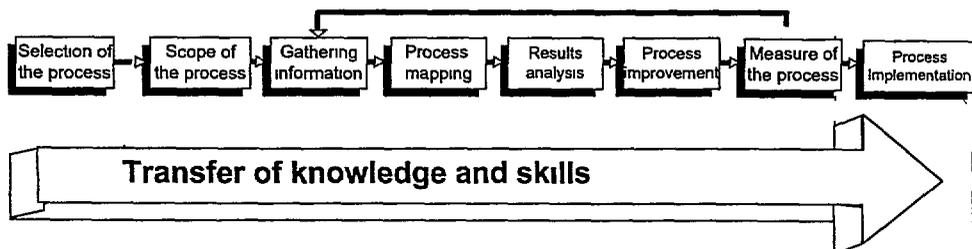
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Identification of possible process improvements

Continuous process improvement model



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Identify possible process improvements

While mapping each process it is worthwhile to take holistic approach - "look out of the box"

- ◆ Opportunities to change the flow of the process
- ◆ Opportunities to change technical infrastructure
- ◆ Quick wins and hot issues
- ◆ Fundamental information requirements
- ◆ Fundamental performance measures (cost quality and time of each operation)

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Identify possible process improvements

Examples of typical problems

- ◆ Duplication of efforts (through the process or between the departments)
- ◆ Unnecessary paper work
- ◆ No value added work
- ◆ Unnecessary delays
- ◆ Labour-intensive operations
- ◆ Insufficient cooperation with other processes, departments, suppliers or clients

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Identify possible process improvements

Opportunities to change technical infrastructure

While mapping the process, one can uncover current system boundaries and opportunities to increase efficiency by proper technology adjustment We can

- ◆ Identify areas for new technology implementation (eg automatization, better access and information sharing)
- ◆ Understand weaknesses of the current system (eg information is prepared too late, data processing is limited, lack of integration between systems)

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Identify possible process improvements

“Quick wins” and “hot issues”

- ◆ have priority in implementation
- ◆ those which can bring handsome profit at relatively small investment

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Identify possible process improvements

Examples of fundamental information requirements

While mapping the process key information needs are defined

- ◆ Key information from other processes or other departments
- ◆ Key information required for process improvement
- ◆ Key information needs for system selection (eg need to identify a meter after disconnecting the grid)

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Identify possible process improvements

Key performance measures

**While mapping the process key performance measures are defined
They help control process reengineering results**

- ◆ Time - Operations and entire process
- ◆ Quality - Number and/or percentage of defects and faults
- ◆ Cost - Total cost (eg labor, materials)

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Selection of processes for reengineering

Arthur Andersen InterAct methodology - exercise

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Arthur Andersen Polska

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**Evaluation and selection of processes for
reengineering**

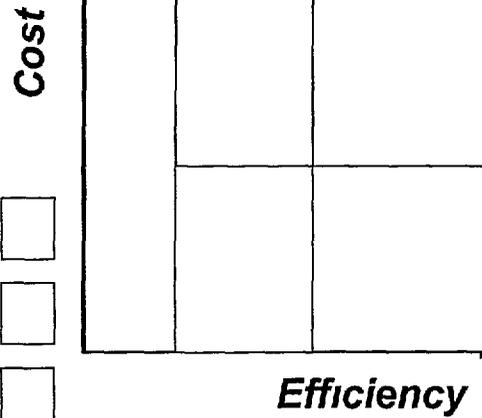
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Criteria of process evaluation

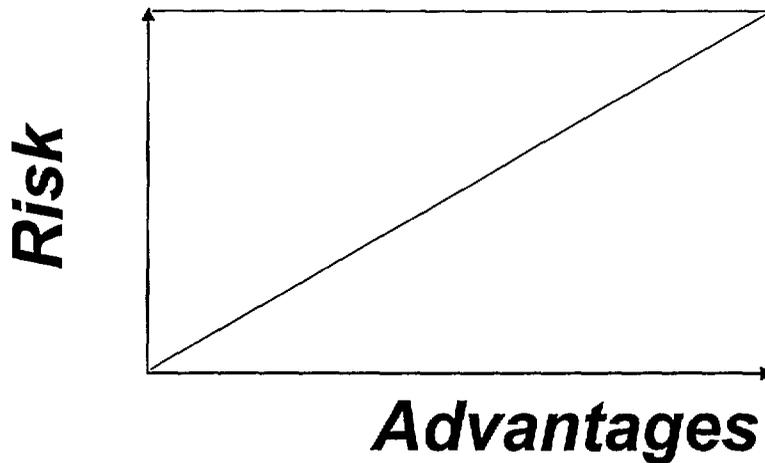
- Efficient but very expensive
- Inefficient
- Currently changes are not necessary



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Criteria of selection of a process for reengineering



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Criteria of process selection

Risk

- Number of people involved
- Change barriers
- Time required to implement changes
- Difficulties in measuring changes

Advantages

- Image of the Company
- Value of the Company
- Cost of the process
- Client relationship

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Process selection matrix

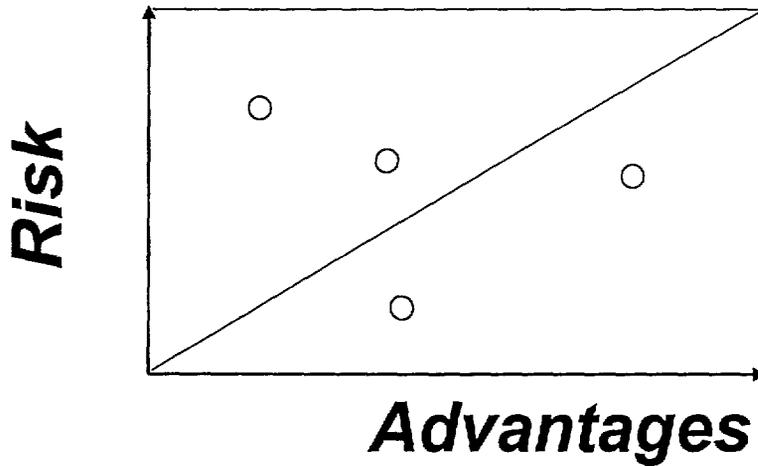
	1 10-max	Comp y s Im ge	Company lu	Cost	Cle t relat ion hip	W ight	N mbe of pe ple Inv lved	Change b r rs	How t masure ch g	W ight
1 contract / conditions										
2 meter changing										
3 legalization										
4 leasing										
5 fighting										
6 exploitation										
7 damages										
8 involving										
9 training										
10 sorting										
11 rivindication										
12 complaints										

6

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Risk/Advantages Matrix



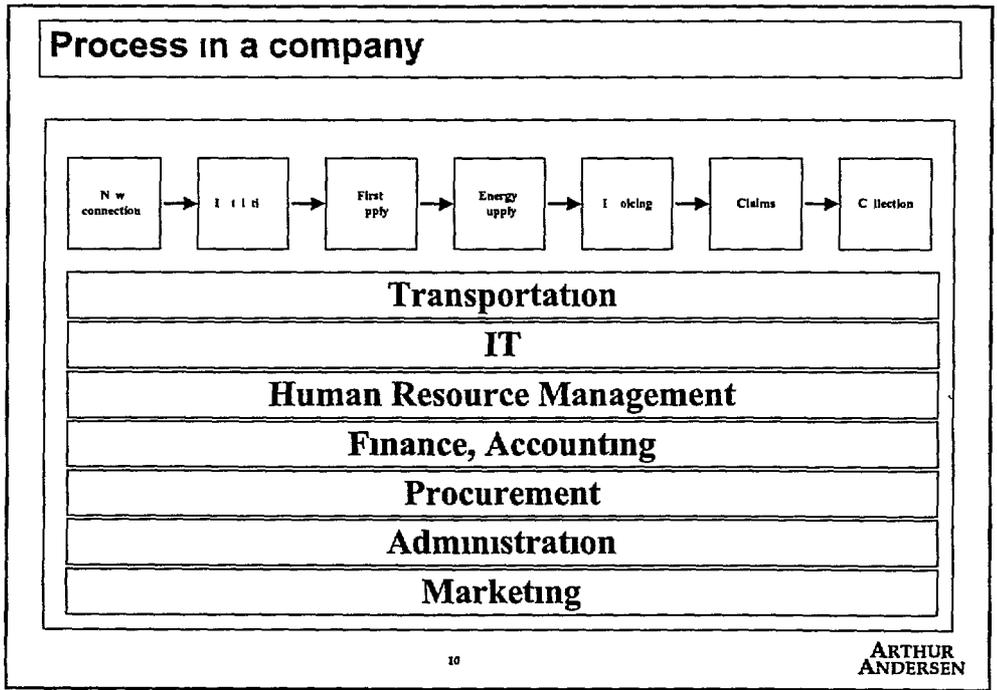
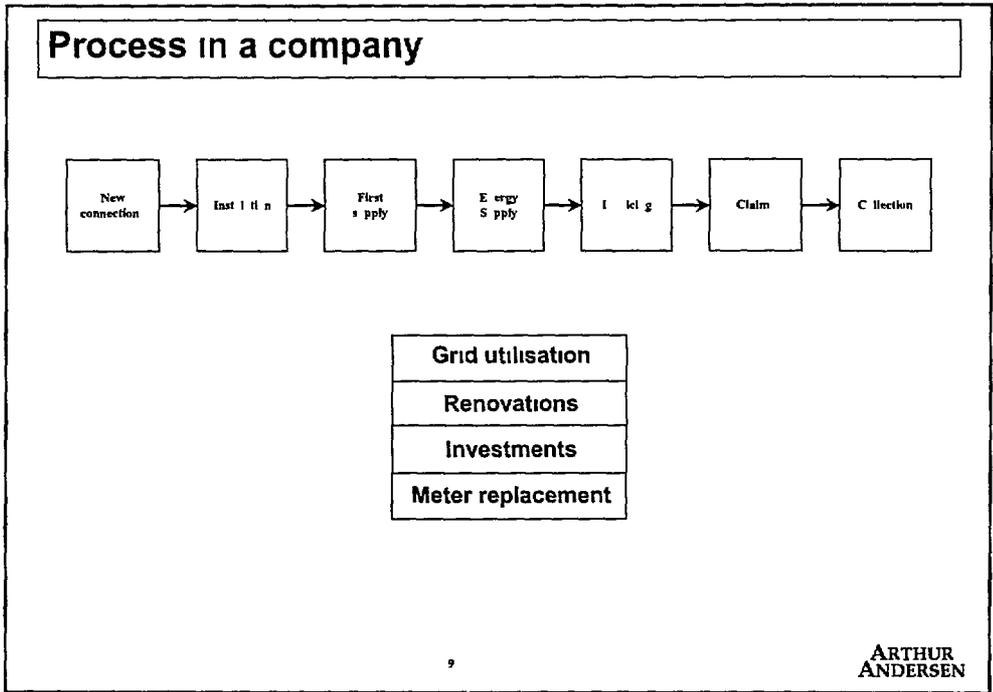
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Selection of processes for reengineering

- Processes in energy distribution Company
- Selection of processes for reengineering - exercise with InterAct - AA methodology

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Selection of processes for reengineering

**Exercise with InterAct - AA
methodology**

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Process reengineering

**Meter reading, billing of
individual clients**

Włocławek Region

November 1997 r

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1

Background

1 Process analysis	July '96
2 Processes for reengineering - selected by management	October '96
3 Team set up	November '96
4 Beginning of the work	December '96
5 Project - presentations	May - June '97
6 Suggestions for motivation system change	October '97

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Work flow

- 1 Team set up
- 2 Analysis of the current process
- 3 Decision on work direction
- 4 Define possible changes
- 5 Presentation
- 6 Decision of Management Board - implementation plan
- 7 Preparation of motivation system
- 8 Change implementation

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Team set up

- Individual interviews
- Number of people (max 10)
- Team members
 - x RDR - 1
 - x BHP - 1
 - x Controlling - 1
 - x TOO - 2
 - x HOO - 4
- Average age 33.7
range 26-44

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Analysis of the current process

Questionnaire to the client

- basic assumptions
- methodology
- results - interpretation
 - separate approach in different segments
 - country side
 - city
 - blocks of flats
 - others
 - selected services related to meter reading

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Analysis of the current process

Questionnaire to the collector

- basic assumptions
- methodology
- results - interpretation
 - Update evidence data immediately
 - Process the data immediately
 - Need to extend the range of work - more delegation

6

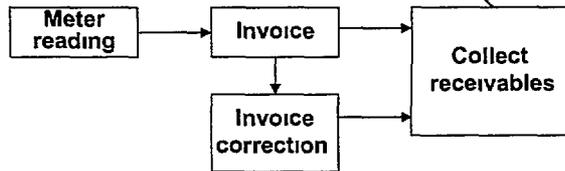
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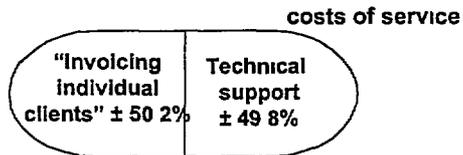
Analysis of current process

Costs

- in the process of "Invoicing individual clients"



- "Invoicing individual clients" as a % of service costs



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Process map

Process map allowed to

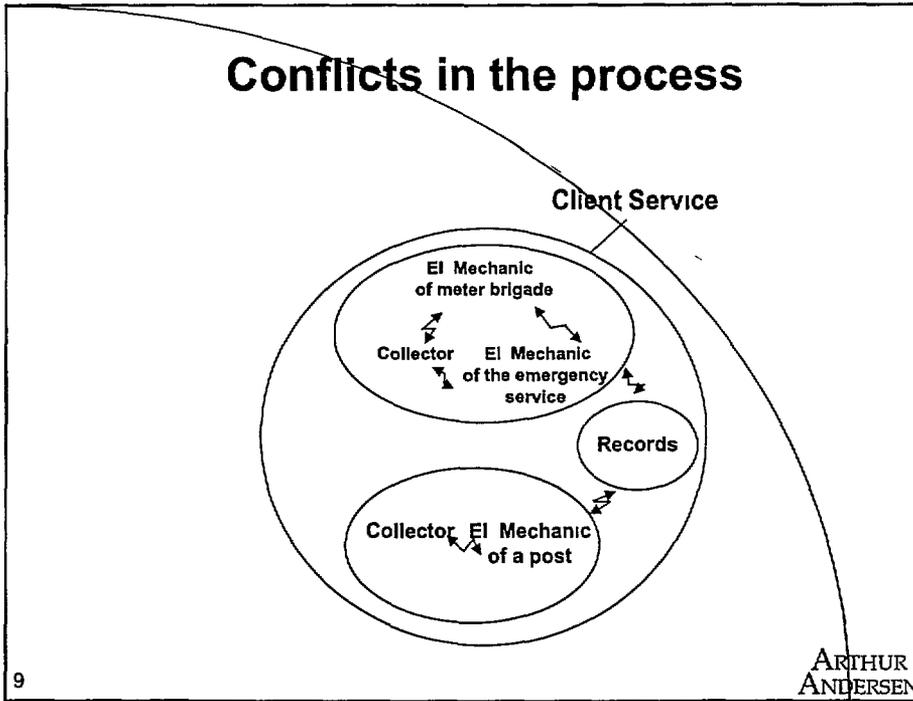
- visualize the existing process
- show
 - complexity
 - conflicts
 - "bottlenecks"
- define possible directions of changes

8

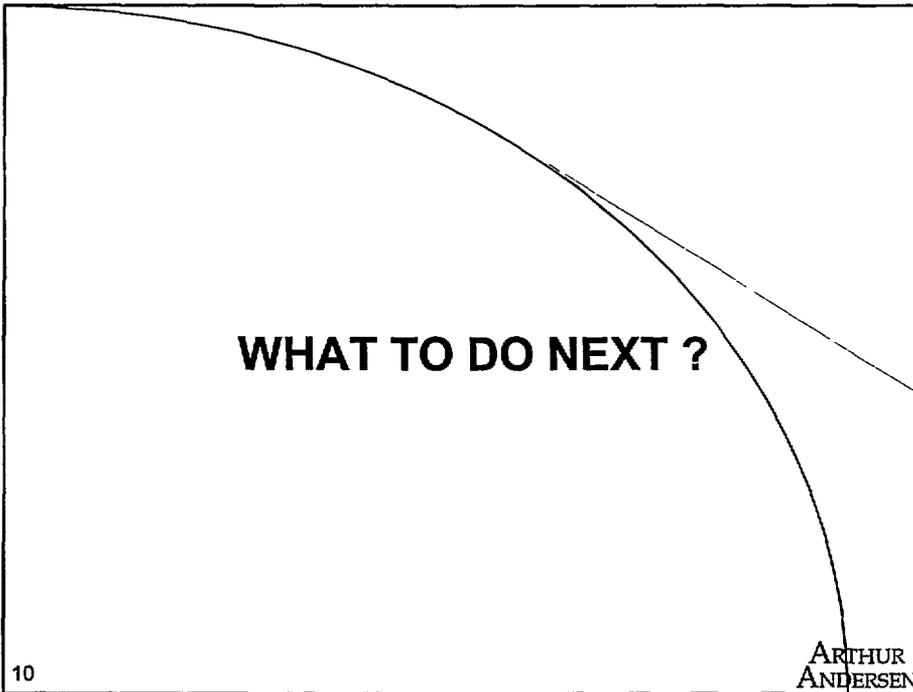
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Conflicts in the process



WHAT TO DO NEXT ?



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Opportunities

- Do nothing - let it be!
- Try to create new solutions

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Choice

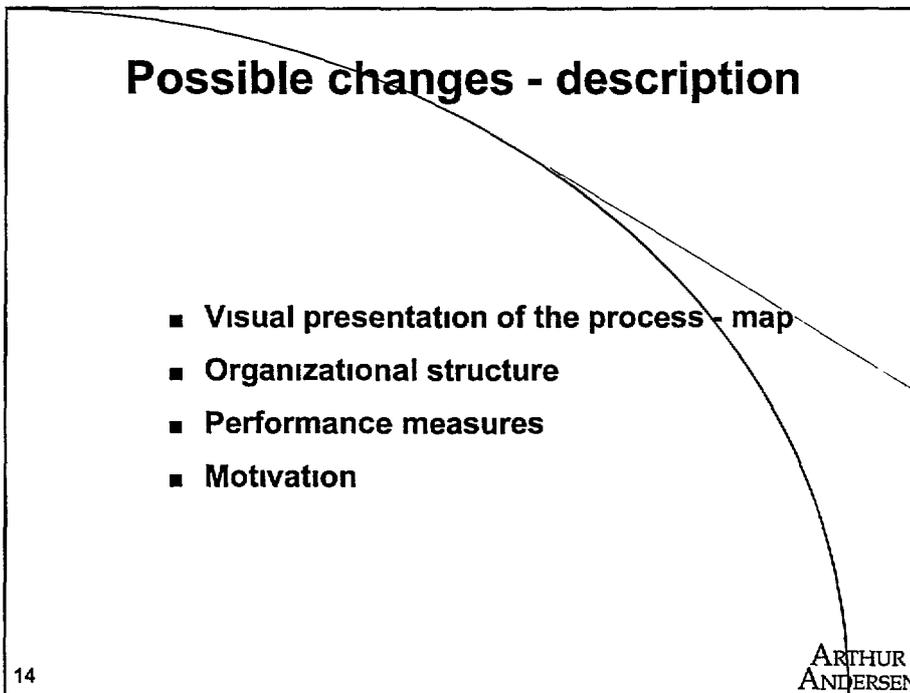
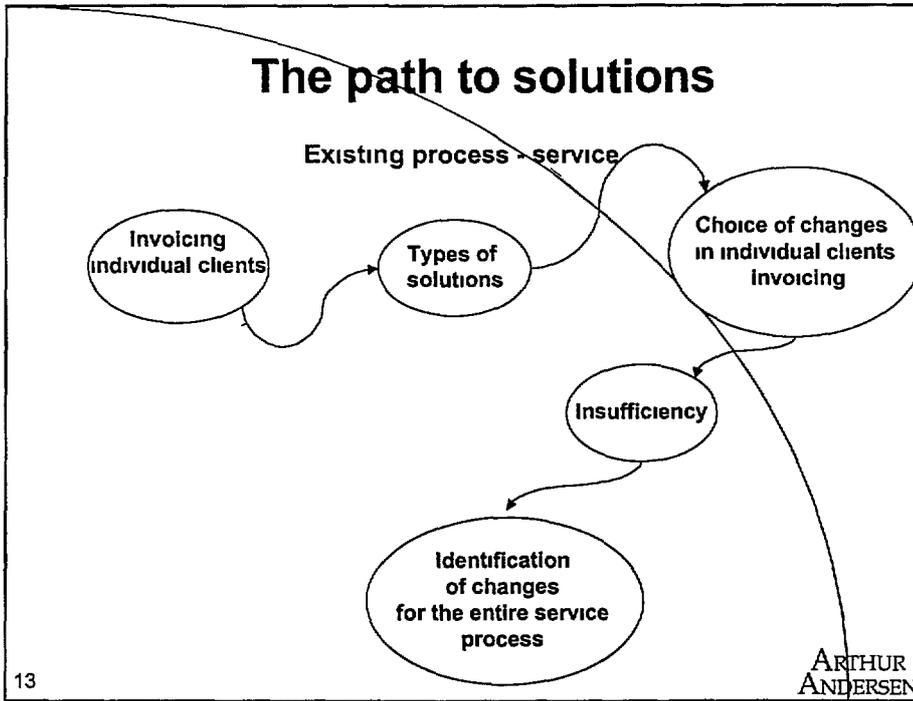
Trying to create new solution that would let us to

- shorten the process
- reduce costs
- improve efficiency
- increase client satisfaction

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Planned results

- Coordination of sales and technical operations
- Shorter process - lower costs
- Immediate intervention operations
- Performance measures - increase in service quality
- Client satisfaction

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Project presentation

- Who? - team
- For whom? - goals
 - Board of Directors + regional managers - approval
 - managers service departments in regions - knowledge sharing
 - employees (description for quarterly newsletter)
- How?
 - benchmarking
 - indication of threats

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Implementation plan

- preparation - approval of Board of Directors
- stages - meet deadlines
- additional preparations out of scope of the implementation plan

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How to achieve full implementation?

- continuous knowledge sharing
 - attract followers outside the team
 - in the Region
 - in the Company
- role of deadlines in the implementation plan
- preparation activities - engagement of the employees (who take part in the process)
- inform all interested employees
- negotiations with trade unions (trade unions should take part in the project preparation)

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Process reengineering

Methodology of Process Reengineering

Workshop "Development and implementation of the
restructurisation strategy for distribution companies in Poland"
prepared by

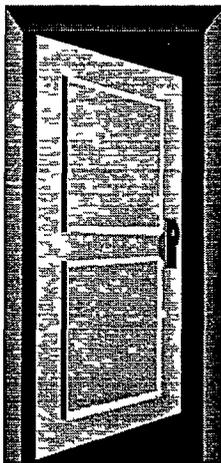
Arthur Andersen Polska

Pultusk, 28 November 1997

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Major Issues



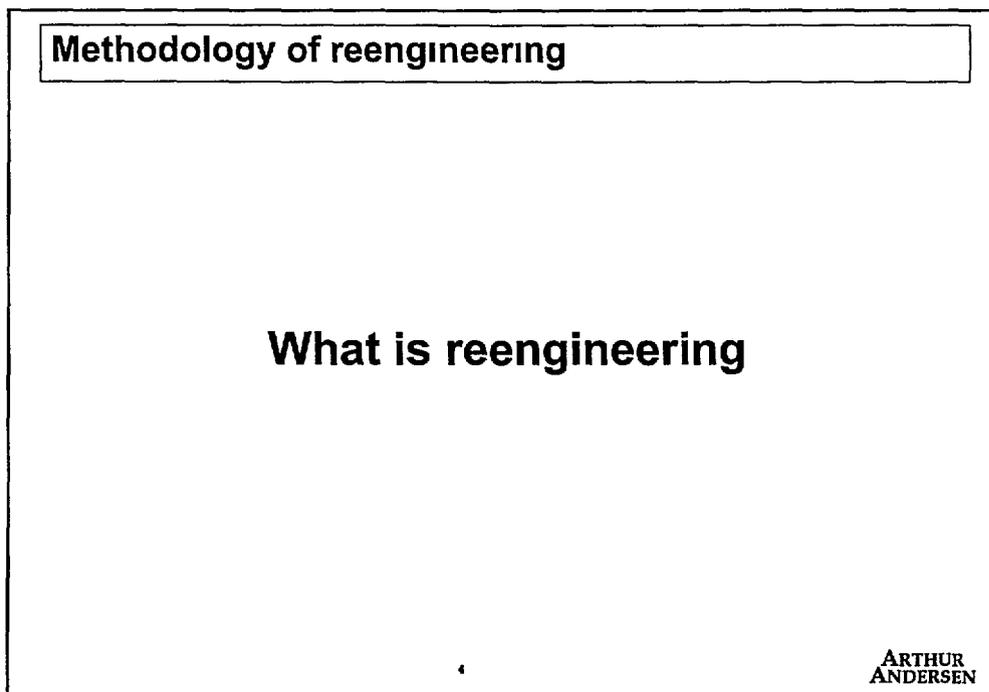
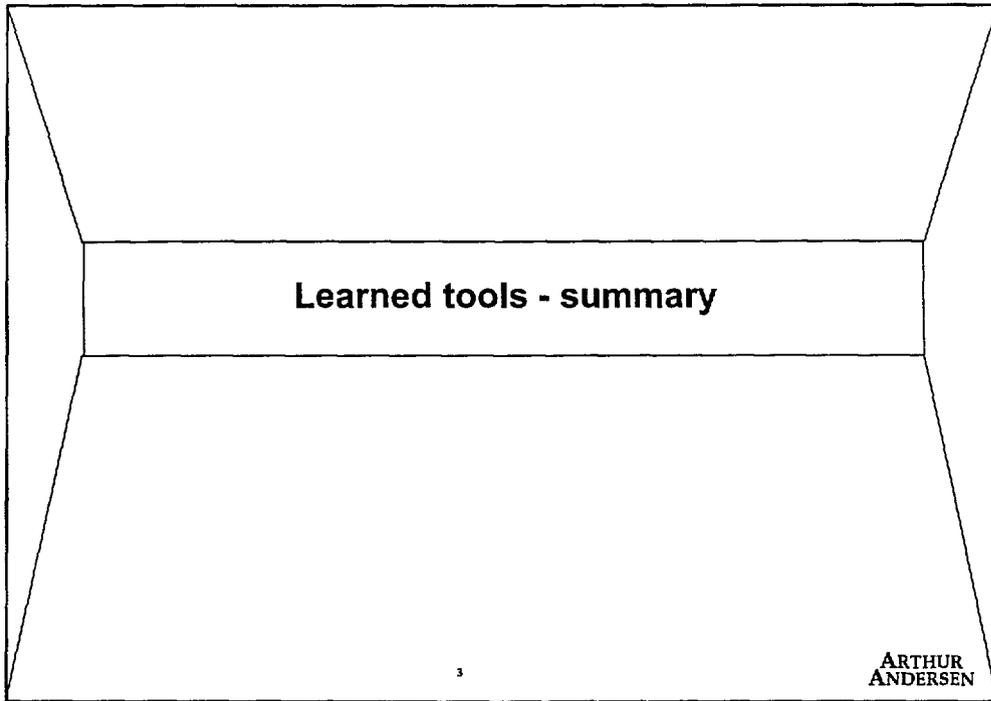
Methodology of Process Reengineering

- New connections process reengineering
- Computer simulation of solutions
- Implementation of reengineered processes
- Conclusions

2

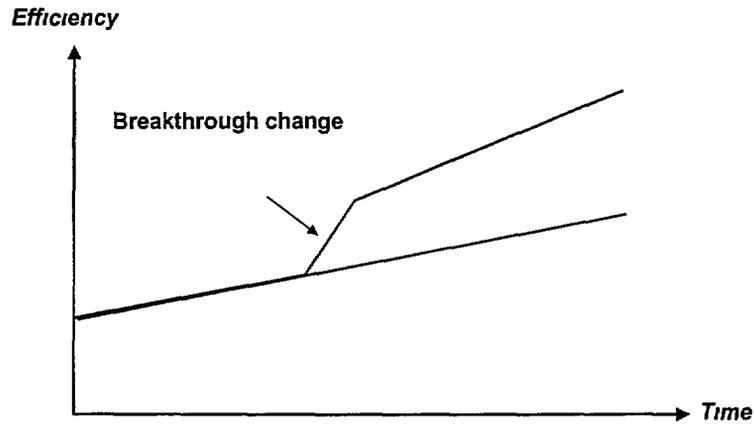
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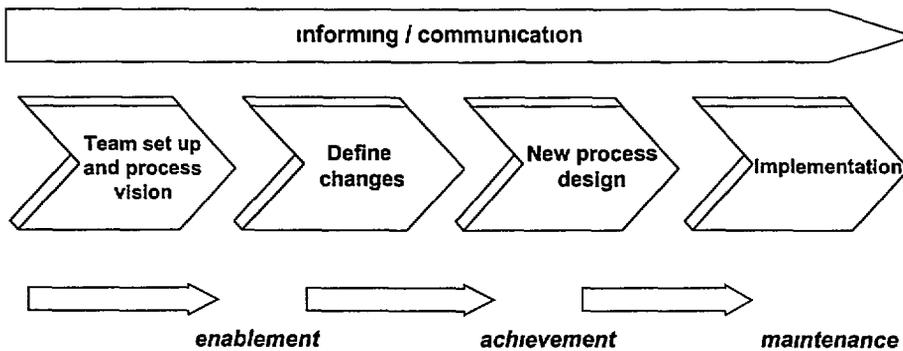
New level of efficiency



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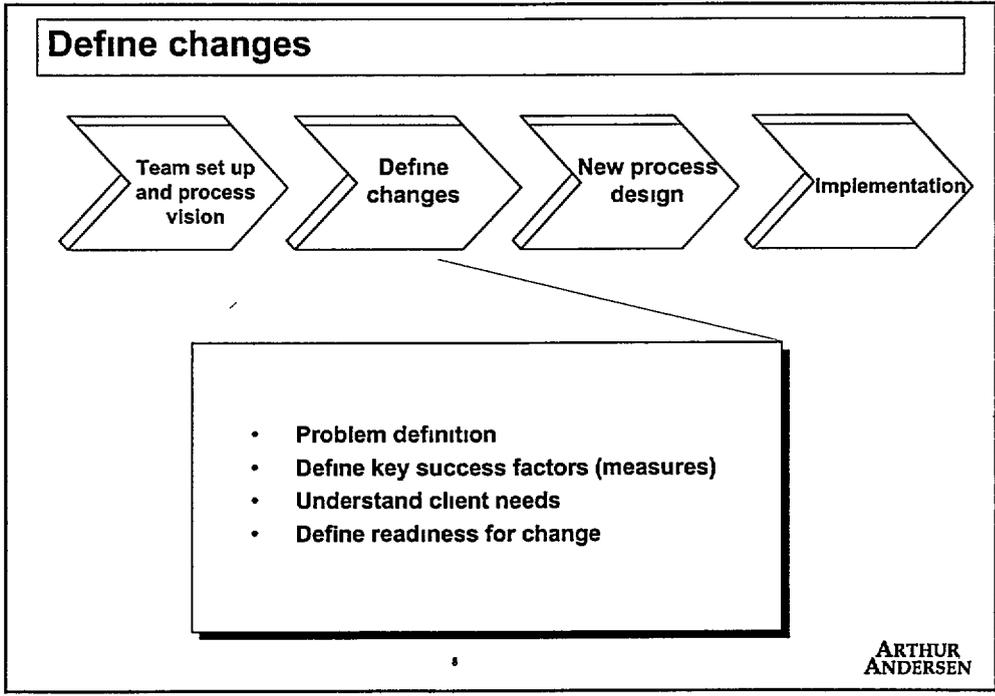
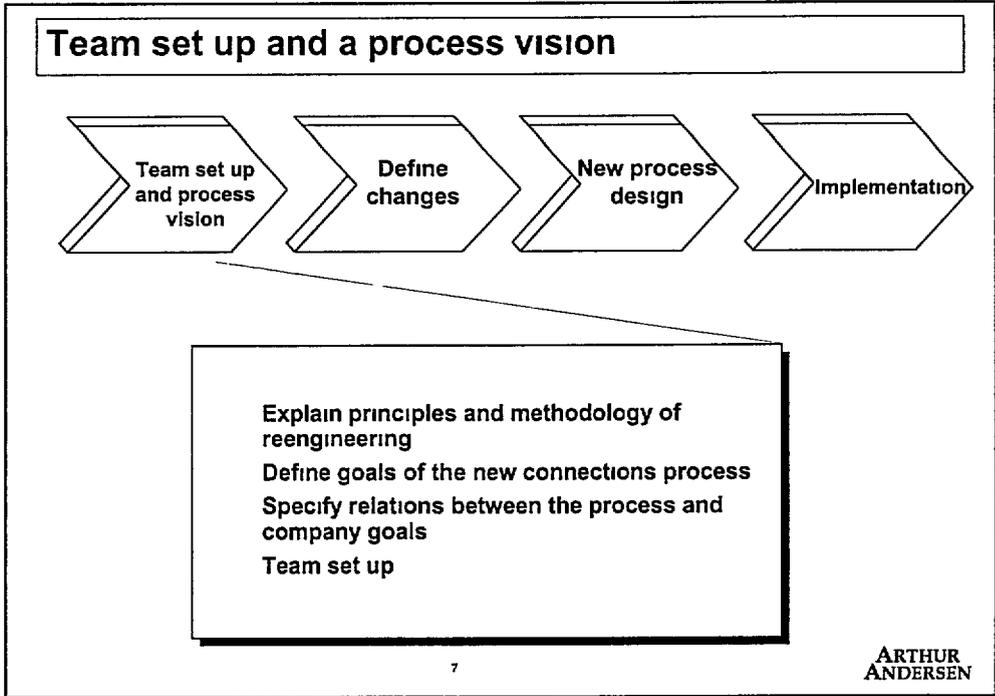
Methodology



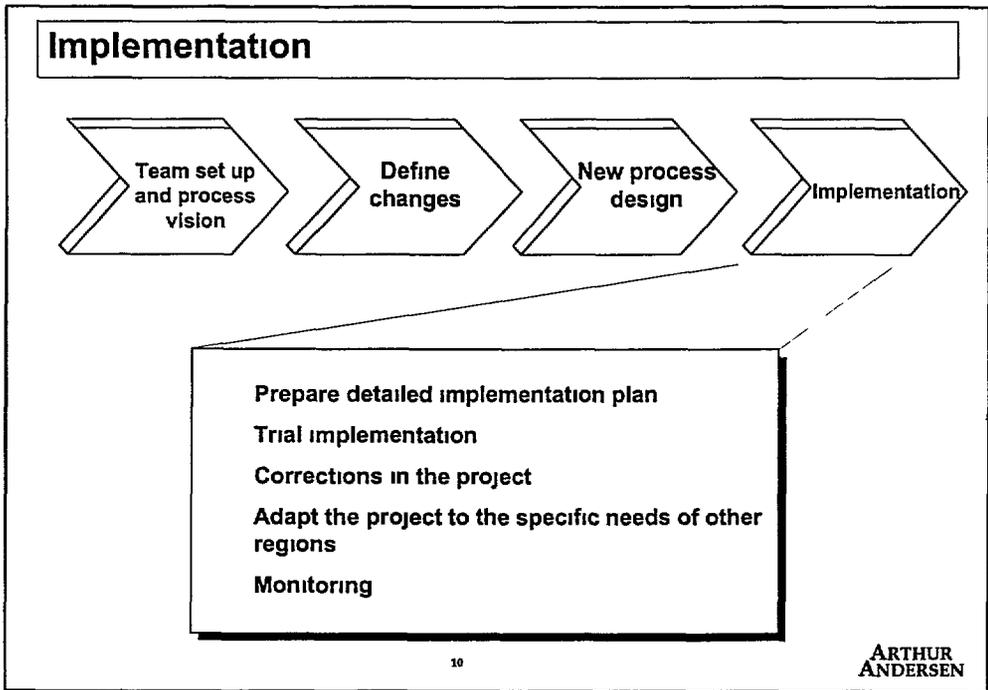
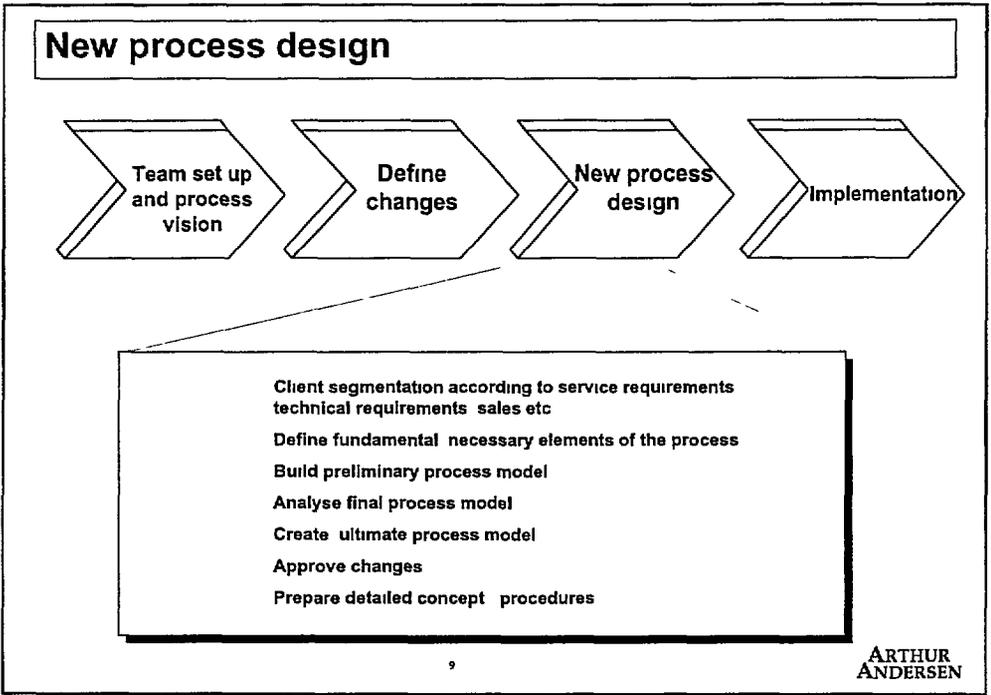
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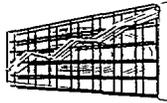


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Expected changes

Visible changes

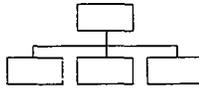
*Measure effectiveness
Motivation*



Range of responsibility



Structure



Technology



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Workshop - new connections process

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Process reengineering

New connections process in ZE Toruń

Workshop "Development and implementation of the
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Arthur Andersen Polska

Pułtusk, 28 November 1997

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New connections Department in ZE Toruń

Responsibilities

- Client service
- Application analysis
- Test of technical possibilities
- Localization
- Site visits
- Documentation

Number of employees

- 3 people

Daily number of applications

- average of 11-15

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Symptoms of inefficiency in the process

- Client complaints about delays
- Processing “old” applications
- Striving to keep deadlines
- Increase in applications pile during the holidays
- Clients have no access to information

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Implemented solutions

New connections issued immediately

Problems

- lack of access to maps
- second employee involved

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Basic information about the process

Information required to issue a new connection

- Localization of the connection
- Power required
- The type of client
- Information about the client

End product of New Connections Department

- Permission for new connection under specific conditions

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Exercise

What is the purpose of the new connection process from the client's perspective?

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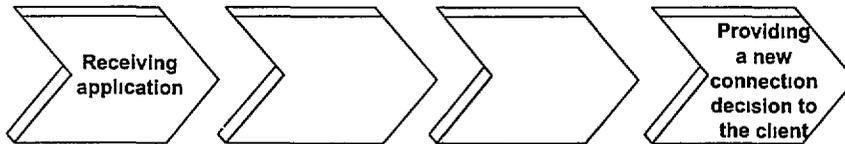
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The beginning and end of the process

How does the process begin?

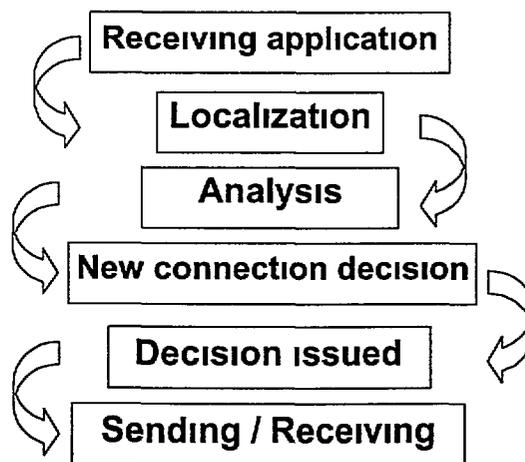
How does the process end?



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Elements of the new connection process



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Participants of the new connections process

Client

Client Service Hall

Registration office

Secretariat of the Regional Manager

Technical Manager

Documentation Manager

Documentation employee

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Exercise

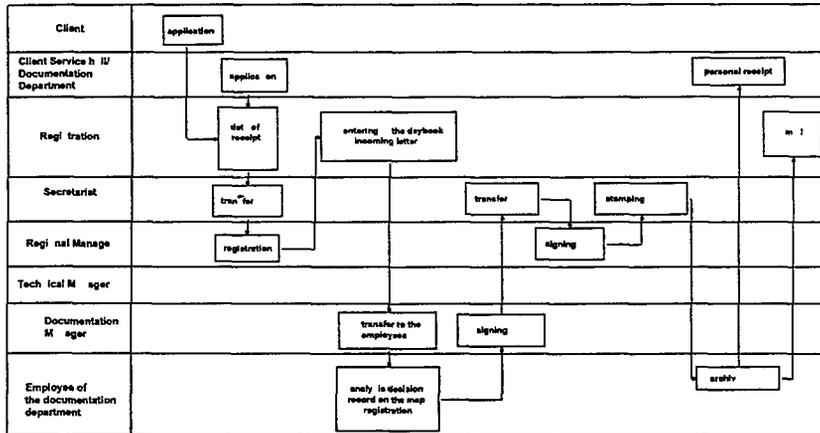
**We build a new
connection process map**

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A new connection process map



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Exercise

What is most important for the Client in the new connection process?

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Exercise

What is most important for the Company in the new connection process?

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How can we confirm the Client's needs - questionnaire

Client's requirements

Select 7 the most important issues from the list below and sort them from the most important (1) to the least important (7)

- Short time from application to decision
- Possibility of express decision for additional fee
- Build the connection for additional fee
- Clear and understandable conditions
- I decide about the way of energy supply (eg. cable)
- Kind and pleasant Client Service personnel
- Consulting in energy market
- Only one person contact me
- Suitable working hours
- Telephone information about decision available
- Personnel is interested in my problem
- I can get information about the stage of my application whenever I need
- I can apply for connection on the phone
- I do not want to stand in queue
- I come once and get new connection, although I have to wait
- I do not wait, I will come another time
- I come for decision personally
- Documents are sent by mail
- I can get a decision in the Energy Post

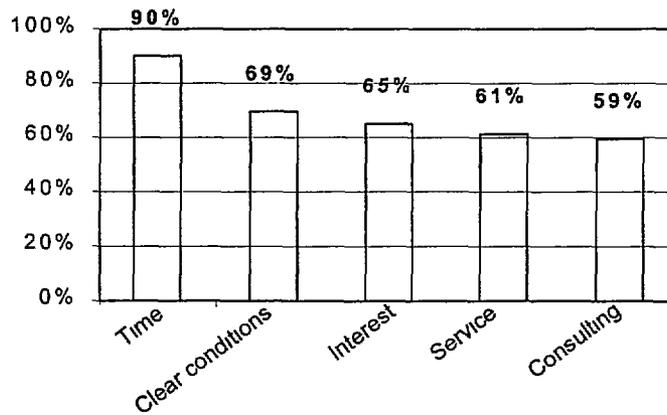
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Questionnaire "Client's requirements" - results



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Basic performance measures for the new connections process

Delay time

- Application - days
- Number of the applications delayed

Process effectiveness

- Number of applications per client service employee

Client's satisfaction

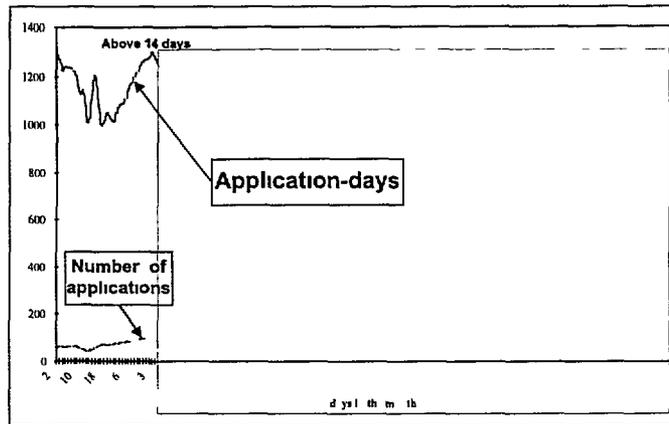
- Questionnaire

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Delay time



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Exercise

What problems and opportunities for improvement in the process can we identify based on the information gathered?

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Real changes in the region

Receiving an application

- An application is received by the employee who later issues new connection - not by secretariat

Organization of work

- Daily rotation of the employees who receive applications
- Responsibility for the "shift" day and applications from that day
- We have managed to deal with "the pile" together

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Real changes in the region

The range of competence

- An employee can issue new connections up to 20 kW
- Department Manager - all connections except for negotiable ones
- Regional Manager - only negotiable connections

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Real changes in the region

- Applications are received by phone
- Only one person handles such a case (from the beginning to the end) - and is able to inform the client about the status of the case

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System Dynamics model - the tool

**Problem of top-down
cooperation**

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Second floor - analysis of applications

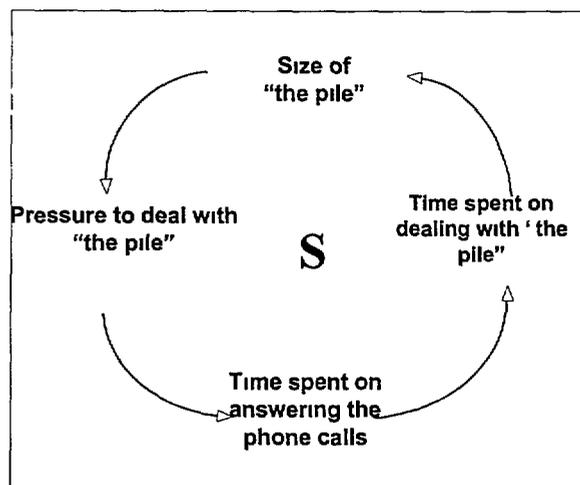
Two main tasks:

- Analyse applications that are on top of "the pile"
- Provide help to the person in Client Service hall - answering phone calls

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Second floor - analysis of applications



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First floor - receiving applications

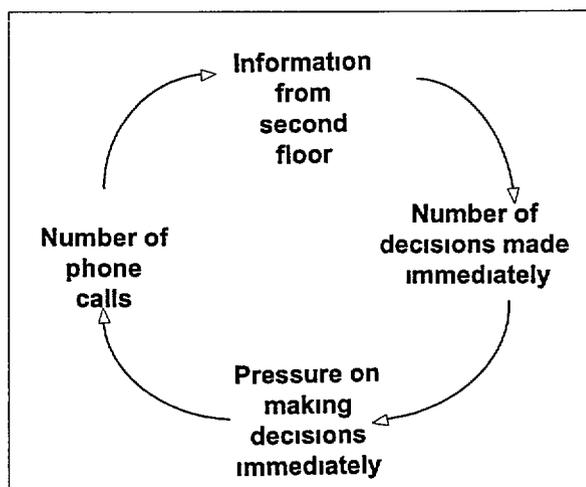
Two main tasks:

- Receive applications from clients
- Deal with applications immediately

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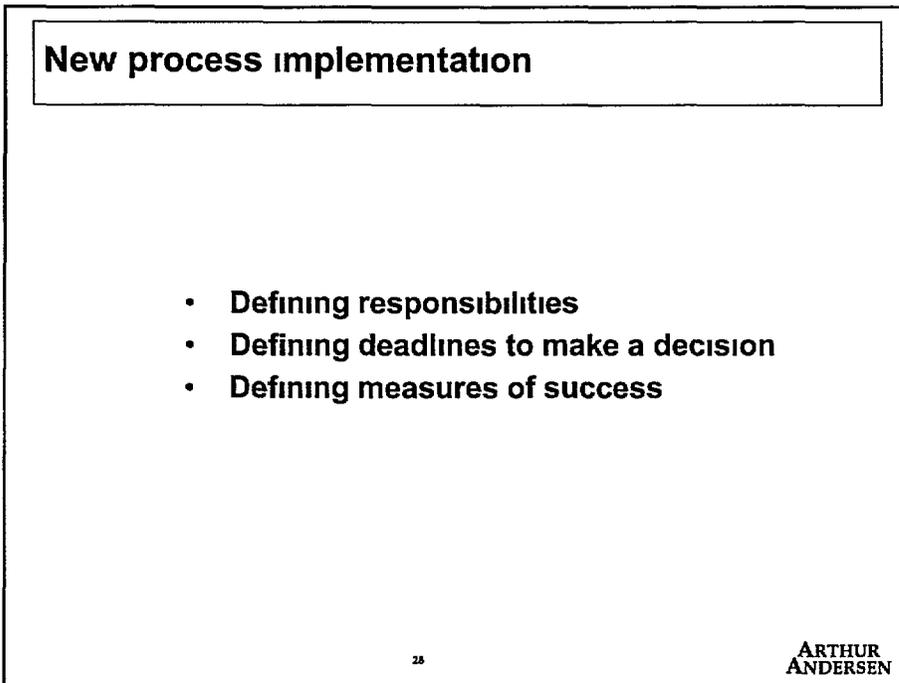
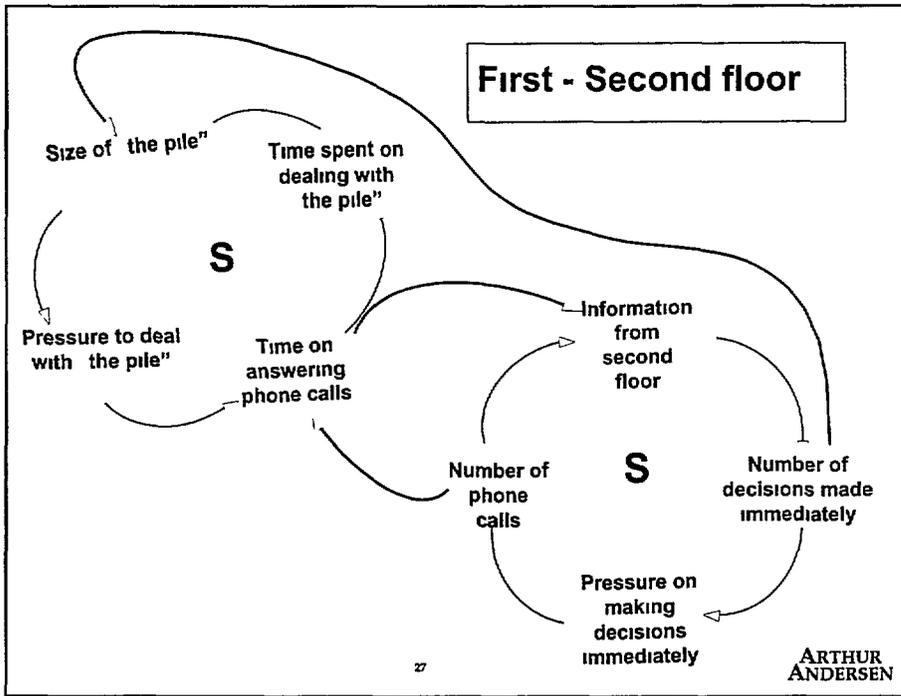
First floor



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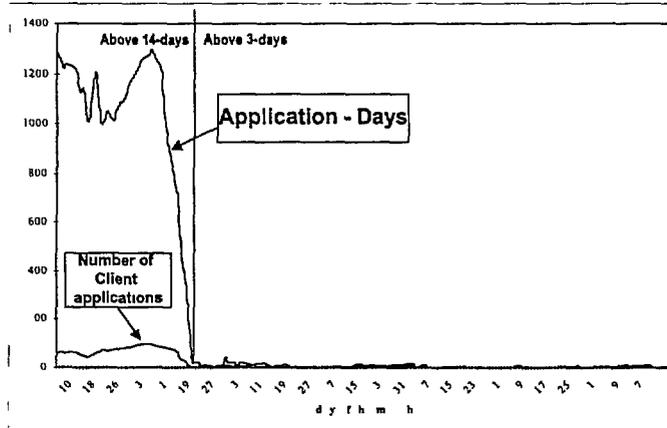
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Results achieved after reengineering of the new connections process



Number of applications and average time of waiting for decision in ZE Torun (from the day of application to the day of decision) over 14 and over 3 day period from Dec 1996 to Jun 1997

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Results achieved after reengineering of the new connections process

Efficiency

2700 applications
3 employees **No changes**

Client's satisfaction

- Clear range of competence
- Self motivation to react to clients' needs

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