

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background**

As Nogalski (2009) stresses, due to continuous and abrupt changeability of conditions, enterprises that want to function effectively in today's conditions must create new features, behaviour and attitudes, which will represent their adequate response to the reality undergoing global transformation. Managers of enterprises should use their methodical potential to identify, diagnose and project emerging business models. Management of business processes represents a comprehensive approach to the implementation of an organisation's objectives, and the aim of managing business processes is to increase effectiveness of actions within an organisation.

As Tavlaki and Loukis (2005) notice, a business model is not a theoretical concept, but one of the fundamental conditions of success, as a necessary instrument in companies' strategies of action. The identification of key processes occurring in enterprises enables a more effective management of an organisation and becomes the key to success for more and more companies. According to Appel et al. (2014) business process modelling and execution is widely adopted in enterprises. Processes are modelled by business experts and translated into executable workflow representations.

In 2015 PT. Tetra Pak Stainless Equipment (TPSE) was born based on the results of Business Transformation Office (BTO) decisions for business process

alignment. BTO is an organization formed to conduct business transformation program in Tetra Pak (TP). This business transformation program aims to strengthen all entities in the TP group in the process and system, due to the diversity of entities in the group. Most entities are merged since the formation of an autonomous group. This program is called Process Alignment and Information System Platform (PrISP). The target of this program is TP until 2020 already have Business Process and Information System/ Information Technology (SI/ TI) which is aligned with all entities in it, including TPSE.

TP has 2 big divisions, namely Packaging and Processing. Packaging produces package for beverages and pasta while Processing produces tanks for ice cream, dairy, prepared food, cheese & whey and cosmetics, pharma and standard product. TPSE is in processing division. In this paper, division that take place is processing.

In running its business, by process and system of the company is still like the time of this company in Alfa Laval environment, although there has been little change in the high level to adjust to business in TP, both as a business unit and market company. But in the information system of the company is still autonomous, and has not been aligned with the process globally. There are many gaps with TP's business processes globally, including the main ones:

1. Business Process Perspective according to Heesen, 2012, Using the model of the World of Strategic Business Intelligence™, a key task is to understand who the stakeholders involved in creating value are and how to fulfil their respective expectations, and deal with conflict of interest between these groups.

TPSE not only functions as a production centre, but also has its own business area, the Cosmetics category. In this category, the application of pre-project has wrong application with data issue in Understand Create Convey Deliver (UCCD) that caused many problems in customers. One of the problem caused from wrong application of UCCD was caused many mistakes and loss.

Below table show the loss as follow:

Table 1. 1 Profit and Loss Sales Report (TPSE, 2015 – 2016)

No	Year	Project	Site	Country	Loss (%)
1	2015	Skid Unit Installation for Cosmetics	Montreal	Canada	-50%
2	2015	Skid unit installation for Cosmetics	Karlsruhe	Germany	-90%
3	2016	Soap making system	Cikarang	Indonesia	-37%

2. The IT perspective of the World of Strategic Business Intelligence™ therefore covers a set of three layers which help to understand how value can be created based on data, always keeping the information recipients in mind, along with their specific information needs. The three layers are: data, information models, and communication. Together these three layers allow to design an infrastructure which enables the desired analytical capability and add value. (Heesen, 2012):

1. TPSE has a difference in the use of terms and master data in the business process of a company which still uses the terms of Alfa Laval.
2. Information system platform owned by TPSE is different from TP. TPSE that uses legacy system while TP uses current system.

From above 2 cases raised within the company, problem statement is stated and caused disadvantages to the company that need to be improved to make company competitive in the market.

TPSE was scheduled to conduct this PrISP in 2015-2017 with a span of 21 months since September 2015 (PrISP TPSE, 2015). This is a big agenda where many things have to be adjusted and aligned with TP. Therefore, during the business transformation program that will be run by the company through PrISP 2015-2017 will be many changes that must be managed in a process of process alignment both in adjustment of Business Process and Information System/ Information Technology (IS/ IT) which will be influencing in the preparation of strategy in a change management process (Change management process).

In accordance with Management Call for Action (MCA), TPSE introduced the PrISP as beginning part of the activities of the PrISP in BTO that has been established by TP. This event provides an overview of the purpose of PrISP to be able to match the vision & mission, management, culture and values that exist with TP globally. One of the agenda of this event is about the commitment of all employees to succeed this great program. Based on the current PrISP, the author would like to see more deeply about the process alignment from various perspectives in the face of business transformation. There will be much needed alignment so that there are changes that are very interesting to be appointed into a study.

In fact, more about a change in the way we work, rather than a change in the system we use. The project will cover the supply chain in an integrated way. It enables the company to work in a process-oriented way with the customer in

focus. ISP provides the building blocks for putting in place TP's global business processes.

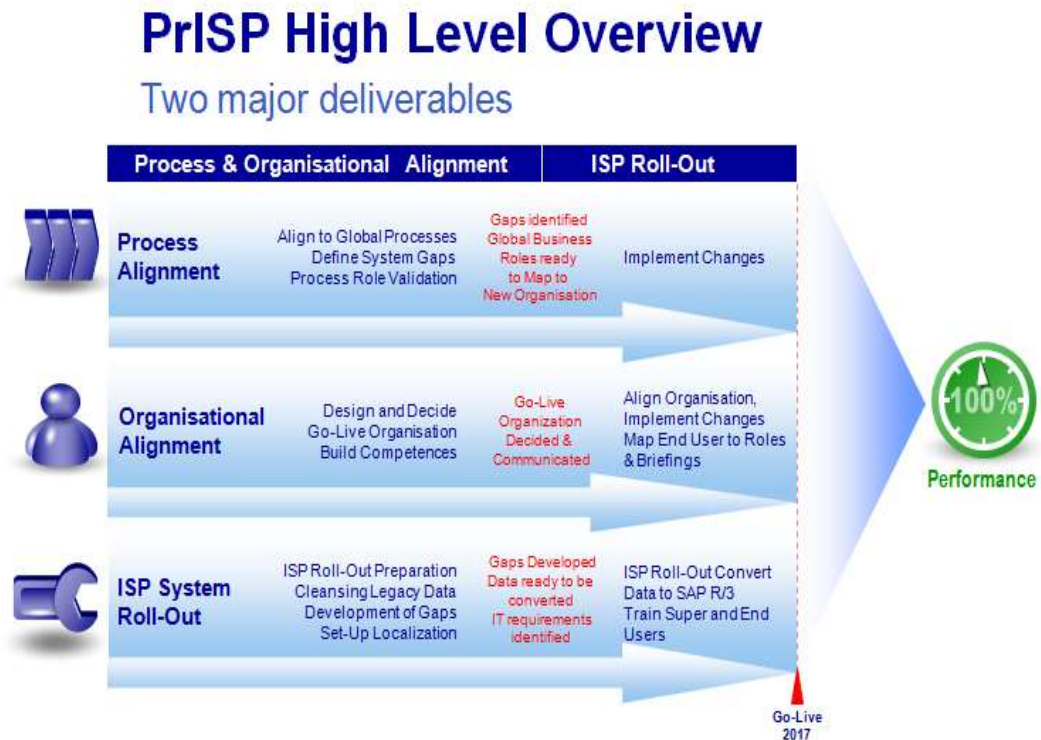


Figure 1.1 Overall set of Process Alignment and Information System Platform (Tetra Pak, 2015)

Based on the description above, it will be examined "Improvement of PrISP at PT TPSE", year 2015-2017. Given that what is needed by the company at this time is a drive from the organization of the company to be a reliable business pillar.

## 1.2 Problem Statement

1. Old way of business process that cannot be longer accepted by internal and customers since it causes many problems in pre-project area (and continued to post-project up to site closing), such as:

1. There's no system to manage the integration between pre-project and fix project management (post) and caused silo and miscommunication among functions because no solid collaboration.
  2. Overlapped job description among functions and or one man show.
  3. Many project losses.
2. Difficulties of searching and determining redundancy data in legacy system for BoM that causes the customer demands is left behind and functions blame each other, such as:
1. No BoM master data.
  2. Materials don't have certain group and considered as material stock-able then every time engineers need a material with same specification (there's no valid information whether the material has been registered or not), the material would be re-registered. Because of this, engineers will take likely material to proceed.
  3. Takes time to find right BoM.
  4. Material compilers of products sold are not easy to group because they're not in a single same material configuration (MCON) and material stock able (MSTK).
  5. BoM in each function is not in one material configuration with same structure, it makes mechanical, process and electrical engineers have their own structure (not standard).

### 1.3 Objectives & Benefit

Objective:

1. To improve business process and system based on the Business Process Reengineering framework in the pre-project area.
2. To change current IT platform into a new one based on Information System Platform, especially for BoM from product structure.

Benefits:

1. The results of this study can be used by the parties who manage the change program to find alternatives or input for the program ongoing changes can achieve optimal results.
2. Especially for TPSE, the results of this study are expected to be used as input in managing the ongoing business transformation program as well as future change programs in the wider scope.

### 1.4 Scope

The scope is in the company of TPSE. It covers PrISP which are the big two combinations of the local business process (process alignment and organizational alignment) that align to the global one for business implementation and people competence and the system/ tool we'll use.

The business processes included in PrISP are:

1. Order Fulfillment Capital Equipment (OFCE):
  - a. Production Sales/ Production Company (PC)
  - b. Project Sales/ Marketing Company (MC).

2. Finance (FICO)
3. Customer Management (CM)
4. Supplier Management (SM)
5. Product Creation (PC)/ Product Life Cycle (PLC).

In this paper, the scope is limited to OFCE Pre-Project only which is talking about how to make the quotation from customer's request and how to coordinate it to other functions to improve the business process and the tool that is used under ISP is SAP ECC (Systems, Applications & Products in Data Processing ERP Central Component), one of the most recognized assets that SAP owns, which is focus to BoM only that is created from correct master data with correct product structure.

Both specific scope above are based on Business Process Perspective and The IT perspective of the World of Strategic Business Intelligence™ (Heesen, 2012).