Elmo Otronen

Introducing a New Customer Claims Model: Change Management in Action

Change management

Metropolia

University of Applied Sciences

Organizational behavior and change management are given more space in constantly changing business culture. This work will discuss the theories commonly used in change management and estimated the major challenges of completing the change successfully. The new enterprise resource planning system provides a great source to examine how the change is handled in company X. When permanent change is at the targeted stage, the understanding needs to be comprehensive about relationships between actors. Resistance should be taken into account to ease the change overall and communication channels need to be carefully thought. Different levels of change need to be recognized to assimilate the change and through that understand the common good which is tried to be achieved by the change. The change requires the feeling of cohesion, where everyone can be involved and feel that it is beneficial to change long lasting familiar and safe procedures which are not necessarily efficient. The permanent change can be achieved by involving everyone, assimilating the importance of the change and communicating efficiently about the different stages of the change.

Metropolia
University of Applied Sciences

Contents

List of Figures and Tables

Metropolia
University of Applied Sciences

1 Introduction

The Company, I am currently working at, has been using a new ERP-system for two years. The results have not been as anticipated and the behaviour at all levels of organizations have changed. According to analyst firm Gartner, 75% of ERP project fail (Office of Finance, 2017). These projects are not cheap; therefore, I want to help the companies to understand the importance of going through the change. The reasons to fail the ERP-implementation correlate highly with John Kotter's award-winning 8-Step Process for Leading Change (Kotter, 2012). My interest is to discuss the challenges when procedures are changed in the company. Hopefully, the outcome would bring employees closer to manager level and vice versa. That succeeds by understanding the change in all levels.

The notable part of the paper will be the case study where I'm trying to build a new feature to ERP which has been used in the company since spring 2017. The feature will archive the claims in the system and enables employees to take the right actions after that. The company is aiming to have better control in the lead times and allocate funds more accurate. This could mean more efficient financing when there is a chance to prove to the suppliers, that their products have caused direct and indirect costs to their partner. However, this will be later discussed within the company, when there is a sufficient amount of data. The first step is to start collecting data to find out where the company is at the moment with the claims. It is a great part of the paper to have a chance to do a case study like this because it offers a chance to examine organizational changes through a real example. Following books and theories, I am introducing below will be discussed on the perspective of the case study. For example, to examine which Kotter's steps are possibly the major challenges in the case study.

The new model is very significant to the company. There are financial aspects that are wanted to be analyzed. At the moment the company does not have accurate numbers to show which suppliers cause most of the claims. When the company does not have valid proves, they cannot claim compensation from the supplier, and it causes anunstable situation in retail business if the retail pays all the cost of the claims. In the future when all the claims are recorded to the system, it provides crucial information on all level in the organization. Marketing forces may want to reconsider which products should be given column space, procurement may think of purchasing buffer inventory for certain spare parts and salesperson knows how to face certain claim cases when more product history

is available. Customer service experience will develop, they will get quicker service when their data is available in every branch of company X. Warehouse work will be enhanced when they receive goods with clear references. That also means quicker service to the customer when no time is wasted to send emails in order to track down the destination of the claimed product. The second major thing what the company is expecting of learning through this is to see how employees handle the change. World today is constantly changing, and it requires the company to change along. Company clearly has a lot of potentials and has invested in the future, thus this case gives essential information about how the change culture is in the company and how the change could be handled in the following reforms. A majority in the company will endorse the change but seemingly everyone is not ready to step out from their comfort zone. To achieve the goals individualistic utility mindset requires to be broadened, people need to cooperate beyond the hierarchy boundaries and deliver the clearly communicated vision.

2   Research question

The research will seek answers to the following questions:

What is needed to solidify the change in the organization?

How do the new procedures effect on employees' behaviour?

J. Kotter ideas are the source of understanding the needed inputs to solidify the change. H.J. Dallas approaches the change through the people. Collective actions reduce resistance. Employees' behaviour will be later examined after the new model is introduced in the company.

3   Methods of data collection

The primary resource comes from the literature to understand the correct actions which need to be taken when new procedures are introduced. Main theories come from Kotter and Levin, who are specialist in the change management field. Dallas' human-oriented approach is an interesting alternative to understand that effective communication and vision are not necessarily enough for the successful change. The ERP-program itself is the important source and requires a lot of investigation, what type of procedures can be executed with it. The program offers information such as what modifications needs to be

introduced to the system before the new claim model can be started. Improvement planning will start after there are enough feedback and data.

4   Leading the Change

John P. Kotter's theory to solve the issue of why change fails is one of the main approaches to complete a successful change with the new implementation. Kotter discusses in his book Leading the Change (1996), that negative consequences of change cannot be totally avoided, but we can evade the greatest anguish and waste of resources by focusing on certain processes. If there is too much complacency, the need for change is not recognized. At the moment company X sees things operating in tolerable. There is a common assumption, that company has been able to manage issues the old way. Therefore, people question the urgent need for change. The whole change process has last relatively long at the company with a new ERP system and that created a lot of challenges to every level. Employees feel that there is no time for extra work and learning new operational models in addition to basic models they are practising. An employer is willing to improve productivity, the but current situation requires operations that cut expenses quickly. The current situation reduces greatly the urgent need for the change because outcomes of this change would happen in the future. Generally, crisis generates enough need for the change, but if the crisis is too severe, there is no funds or time to carry out the change the way it would need require in order to be successful (Kotter 1996: 39-40). Company X is afraid to exposing the negative news to suppliers where in the future they might need to pay their shares of the claims. Communication between stakeholders is vital and it should focus to clarify the necessity of the change at this stage. Myopia is a very harmful symptom at this stage, the lack of long-range perspective causes certain problems when change advances to the next stages (Kotter 1996: 43).

A powerful coalition needs to be formed to see beyond complacency. The coalition should have actors from all the different level (Kotter 1996: 45). In company X coalition would consist of CEO, IT-manager, warehouse manager, buyer, and middle manager and employer. Persons high in the hierarchy can ignite the process but cannot succeed alone by long term. The leading team requires at least four following features. People with position-based power ensure, that employees outside the team cannot hinder the process. Expertise represented by different fields and experience enables execute justifiable and reasonable decisions. Credibility also eases the process. Employees with

could good reputation make sure that their contentions are taken seriously among the others. Leadership addresses that team has enough capability to lead the people through the process (Kotter 1996: 51). Company X's team did not have as much expertise there is available within the company. Financial department's involvement has to be stronger in order to understand the expenses of claim causing to the company. The current model does not categorize clearly cash flows coming from claims. It has seemed that complacency occurs because clear interest to create a new model and change the process has not been shown by them. Their greater role in the team would increase the credibility in the change process. More actors from different levels ensure that resistant to change is also handled at all levels. It is recognized quicker and the importance and need of the change is transmitted effortlessly to the people outside the team. Trust is the cornerstone in teamwork. Company X has not enough cooperation culture between actors from the different departments. Salespersons and product management are too independent actors. Social activities such as team meeting would build trust between them. Building trust is slow which means that the change process at this stage could take longer than initially expected. The real teamwork will occur when all the members in the team are willing to achieve the same goal. Without trust, most likely members are driven more by self-interest than the common goals. A good leader also tries to avoid parochialism and that team has no free riders. If these occur, the team again has issues with lack of trust (Kotter 1996: 54-57).

Strong, reasonable vision has to be created in order to guide and encourage big masses. Rule of thumb for creating a strong vision is that vision can be described in five minutes and it will arouse interest around. If someone feels that vision does not include them, they will not be engaged and in worst scenario, those people will become resistant. Resistance can be broken effectively with clear vision. Authoritarian commands could make employees work ostensibly, but in reality, they try to resist the authority by their actions. Micro-management tries to avoid problems of authoritarian management by determining detailedly employees' tasks and controlling them intensively. This management model will break some obstacles to change, but due to needed detailed instructions and related communication, this is fatefully slow. Small changes may occur, but comprehensively change will fail. Good vision is a perspective in the future, which explains to people why they should strive to realize the future. Effective vision clarifies the direction and all the resources are conducted to the change. It encourages people to take actions to the right direction, although first actions may seem hard. If vision is assimilated, employees have understood why they need to step out of their comfort zone.

Coordinating change is fast and effective when people feel the empowerment. Vision is not the same as strategy and plans, because those don't motivate people to take actions. Vision should also include shareholders outside the inner core such as suppliers. It is vital to understand the possible impact of the change and how it effects on customers and suppliers. Even if the company would offer better services in a few years, they need to consider how to keep customers satisfied during change phase. The key is to find a balance, that at the beginning when possible sacrifices are executed, it would not harm remarkably the customary operating environment (Kotter 1996: 60-61). Company X had taken suppliers into account when creating the vision, but suppliers would have appreciated the open conversation about it. Now it was delivered to them just by email that there is a new operating model which they are supposed to follow. At the beginning company X had different visions of how the change should be implemented which involved a risk of wasting time or even take the company to the wrong direction. All the key persons were not motivated enough to put their effort into the change. Vision did not describe the role of product management, because the acting team thought that their role is obvious and clear to them. This still today needs adjustment to clarify their role such as how the data is used and how does the data effect on suppliers' contracts.

Great vision begins usually from one person's idea, which reflects a person's personal ideology and market's actual necessities. A strong team comes into play and they modify the first scratch based on their expertise. Functional vision is not just the outcome of genius brainwork, but also requires heart. Values steer the direction, vision is not just strategy where the environment and organization's capabilities are examined, it should be based on the values that the company considers important. Vision suffers if all the team members do not assimilate the real need for the change. Meetings may not get sufficient time and time is wasted by discussing differences instead of taking steps forward (Kotter 1996: 65). This happened in company X and if meetings do not lead to advancement, frustration appears among the members. Finally, incomplete version of vision is accepted, company X was able to proceed, but problems emerged in later phases. Time factor cannot be emphasized excessively. It is better used as much time as needed to complete every phase, because returning later to some phases to fix them is more time-consuming. Company X did not envision how to collect the data and how refunds are divided between suppliers and customers. This means, that by the time the model in question is versioned, users need to learn a new operational model again. The probability to refight against resistance increases.

Coherent, efficient communication makes everyone in the organization to perceive the utilities the change can deliver. A problem can occur at several levels in terms of communication. If communication is not clear enough, the vision is not assimilated. If communication does move through different hierarchy levels, it will not reach everyone, which increases resistance even more (Kotter 1996: 74). In company X it was vital to make sure that when vision is commonly agreed, the message reaches every employee. This was assumed to be as the major challenge of completing the change successfully. Analysing afterward can be stated that the message reached everyone, but one educational meeting would have engaged people more at the beginning. The leap to start collecting data would have not been that excruciating if employees had understood that workload is not actually as big as they had imagined. Practising the new operational model together with the possibility to ask questions would have generated a better outcome. It is recommended to apply two-way communication model, although it strains resources and increases a risk to be exposed that the operating team is in the wrong path. That risk needs to be taken in order to prevent possible major obstacles in the future. If the employees feel that there is no open communication and will to hear their ideas, the operating team could be heading to a dead end without the employees' contribution. Company X's stated one-way about the launch of the new model, but also kindly asked feedback for possible improvements. The main structure did not receive comments, but minor features which were written down for later fixes. Communication structure needs to be built as simple as it could be to deliver the message efficiently. Related jargon may not be familiar to everyone. Metaphors, comparisons and examples arouse interest in more powerful means than the insipid presentation loaded with jargon (Kotter 1996: 76). Repetition may feel frustrating, but it boots the ideas to root in peoples mind. Especially the warehouse manager of company X managed to repeat the message. His style was professionally informative, but also emotive when he asked to think about the big picture, especially how this model increases our customer service. The other point company X performed well in communication, was the lead by example. If the leading team don't act, as they say, it corrodes the whole foundation of the communication.

A major obstacle in the organization is the structure, because the many of job descriptions are limited and employees feel that they will not do something more because they don't get pay for it. Optimum situation would be, when everyone understands the utilities for the company, it will also be their utility in a longer run. Middle management (store managers) needed the highest observation because their workload was estimated

to grow most as they were thought to work as a controller that everything is reported to the new system as planned. This did not carry out as planned, middle management has received numeral new monitoring targets during the change process, which were more essential. Because the employees' contribution was not as high as expected, it is important to scope the reasons behind. Particularly the contribution did not divide evenly. Some stores showed wrong commitment from scratch, and some still struggle with the model. Kotter emphasises the importance of empowerment and its possible obstacles. If people understand the vision and are willing to implement it, what are the factors hindering them? Official structures, managers, information system and lack of skills are usually seen as a barrier to complicate the realization of empowerment (Kotter 1996: 88). In company X's case employees were empowered and their work was the base to move on the chance. The situation examined afterward shows, that upper management slightly blurred by empowerment and trusted that employees will carry out their tasks when they have given free hand. However, the control was not sufficient to ensure that all employees have capabilities, for instance, to work with the information system. Two-way communication would have needed to expose the difficulties in stores who did not show commitment at the beginning. Middle management needs to lower also in this level to ask help, and upper management needs to intervene supportively also in reporting problems related to this new model. Empowerment without control can possibly accumulate to the situation that people feel that they are left alone with obstacles. This could be also seen, that people who don't have capabilities and the right attitude, feel that they are not empowered. Motivation is dropped and level to make an effort towards goals declines (Kotter 1996: 92). Some employees have given feedback about empowerment, that even if they have given freedom and opportunity to commit independent decisions, they will later hear they have done wrong or receive criticism about their choices. This means that intervention is completed too late, control and support have to be habitual.

Creating short term wins avails the company to identify the progress in the process. In company X it meant the use of a test platform where the company can gather advantageous information and perform required fixes. When the launch was made, the next short term took longer time. When the company noticed, that model is in use in every branch, that was held as an achievement. Short term targets should be realistic, and better if those are measurable. If those are too far ahead or based on dreams, wins are harder to achieve and may not deliver the message to sceptics that the company is on the right path. Numbers are the strongest evidence to sceptics, those ignore the

guesswork most efficiently. Usually only on short term win is not enough to keep change in track, it needs to recur every year. A plausible short-term win has two other important features, besides it is observable. It is undisputed so that its authenticity cannot be argued. Clear intertwining to the change project intrinsically supports the process potently (Kotter 1996: 105). Company X has been able to declare a few short-term wins. Those were undisputed and intertwining to the project, but not communicated widely enough among the masses. It means that all sceptics were not stifled. Communication plays a significant role in every stage because the message needs to be constant to keep people motivated. They remember that sacrifices are worth. Upper management has a chance to finetune vision and strategy based on the feedback coming from employees and data. It is important to remember, that short term and long-term wins do not exclude each other. According to Kotter, it is generally believed, that companies aim for long-term prosperity and suffer losses now or prosper now and leave the future for their own sake. Because Kotter believes, that major results in the far future cannot be planned, therefore the role of short-term wins increases in order to prosper in the future (Kotter 1996: 108).

The chances to fail, grow significantly if the only target to aim is the final stage. If the change process lasts longer than anticipated, there is a risk of declaring victory too soon. Short-term wins involve a risk, because the achieved feeling may cause a loss for the necessity of change. If the complacency rises again, there is a chance that vision is not fulfilled and that does not create the permanent stage (Kotter 2012: 116). This stage is not the biggest stumbling block for company X. The distinct vision for next attainable short-term win assures that company X does not declare victory too soon. Key to avoiding too early victory is to realize the interdependence in the change. Especially the company X with the many stakeholders need to understand the relationship between different actors. When the new refund model will be taken into practise, it has an effect on employees, customers, and suppliers. This relatively complicated process enhances the possibility to avoid too early victory because all the stakeholders will remind if they are not taken into account. Interdependence hinders the change process but helps to take all the needed things into consideration. When this stage is overcome, the change process will get a new boost in order to finish off. The number of changes does not really diminish but increases as the requirements increase. That increases the need for more workforce to become part of the change, which means that more people are involved as a meaningful change actor (Kotter 1996: 118). Upper management's duty is to keep the main objective clear and in lower management level at hierarchy are in charge of leading

the people and issues. Managers try to map out redundant interdependences so that changes are easier and quicker short and long-term.

Anchoring the change in the corporate culture is the final step to ensure that the change is permanent. Social norms and soft values create a culture for future actions. An operational model needs to match with the culture in order to solidify the change. Culture cannot be forced to change, but culture changes as people assimilate the benefits of the whole process. That leads to the stage where procedures become part of everyday actions and the way of operating them come from the backbone. It means that even if the organization has the changes in personnel, the habits to operate do not change. The company has still a load of work to reach this stage, but this is vital to keep in mind what the level requires. Results need to show that the new way of doing is better than the old. Two-way conversation ensures no one at this point gets lost on the wrong path. Turnover in personnel may expedite the cultural change in the company (Kotter 1996: 129-130).

In order to overcome these steps, there is a need to consider the management model. John Kotter expresses at his book two different models giving the other model more weight in the change process. Kotter emphasizes the importance of leadership, that gives triumphant vistas to achieve beneficial changes in the long-term. A leader shows the path and delivers achievable, integrated vision clearly to the others. Management, which is more narrowly focused on smaller details, such as strategies and budgeting. Management and leadership coordinate people differently. Management determines the needed structure and places people in the right positions to complete the task. Leadership addresses everyone, also to those whose workload is not certainly needed. It aims to build operative coalitions who assimilate the vision and strategy. Management has stronger control to follow the results and problem solving whereas leadership believes in empowerment. Leadership encourages and inspires people to overcome the obstacles on their way at the change process. As mentioned, management can make small changes, but usually fails in long-term changes due to lack of communication. Those who master budgeting and strategies are short in time and energy to communicate efficiently and widely enough. If there is no communication, there will not be a vision. Company X's management follows a very traditional hierarchy model, where tasks are assigned to the next one in the hierarchy and this model does not develop empowerment.

Changes require sacrifice, dedication, and creativity that cannot be achieved by coercion. It should not be misunderstood that management is not important, because it

keeps the reform process under control. However, leadership helps to overcome the reluctance to change (Kotter 1996: 22). Motivating to change operating models and thereby instilling it an organizational culture. In addition to the change in question, company X is in a transition phase. Employees seem to be a bit confused about where the company is heading. Recently the company has appointed two new people to high positions. People have sensed that reforms are coming but those have not been communicated. The vision of the new management remains unclear and the people ponder if the management is on the same page. Company X has succeeded through the years with the management style of leading. Nowadays competition is severe and greater visions are needed to flourish in the future. The new administration has a great chance to bring new leading culture into the company.

5   Mastering the Challenges of Leading Change

H. James Dallas approaches challenges of leading change through four Ps. Mastering the Challenges of Leading Change (2016) discusses priorities, politics, people, and perseverance.

5.1   Priorities

Dallas emphasises on people's current priorities and practices. Once those are understood, the course can be set to change them. Change initiative isn't decided along the way, but right at the beginning. Unlike Kotter, Dallas does not believe in a focus on the problem statement. An analytical approach is required to define the problem and it is necessary, but it ignores most vital *data*. The most important data is to comprehend the existing priorities of the people who have been asked to change. If the management level does not understand employees' priorities, it will lead to failure in change initiatives. Employees version of the *data* is as important as the facts and numbers themselves (Dallas 2016: 16). In company X, employees have given improvement ideas to the managers, but quite often those have not led to any actions. Employees feel that their *data* is not appreciated and that hinders the change process and augments the resistance.

5.2   Political

Change redefines established boundaries, therefore, it can be held as political. Boundaries are people's physical and mental spaces where are desired elements such as safety, significance, and control. Resistance originates when these elements are threatened. Tools are needed to show how these elements are preserved during the change. Communication is one of the strongest tools in this case and its point is to prove the respect of everyone's boundaries. There are many proven functional models, but changes cannot be made by using the functional models if politics are unknown. Proven model somewhere else does not guarantee success in the other environment. A collaborative approach is the best way to respect people's boundaries (Dallas 2016: 50-51). Step down from the ivory tower and learn from the others first. Individual strategy (vision) broadens the gap between employee hierarchy, collective strategy engages more people to work towards the common good.

5.3   People

This stage appears when the change is launched, and politics are taken into account. Dallas reminds, that analysing numbers is not enough, also the people need to be read. More face-to-face discussion helps to learn from different cultures (Dallas 2016: 77). company X has 18 different branches, and many activities are guided by their own customized cultural environment. When the trust is created between management and employees the quality of data improves.

5.4   Perseverance

Dallas discusses crisis management team whereas Kotter's view involves leading team. Dallas states that after priorities, politics, and people are considered, the next thing to prepare for is a total disaster. No matter how well the planning and executing is made, the unknown can happen during the emerge or after implementing. Teams tire and frustrations rise, and practical problems become moral problems. How quickly the fire is snuffed out, it defines how strong the leadership is. The crisis team requires experts from different fields. A person from human resources helps to manage the emotional and human impact. Supply chain problem is handled with the person from the product

management. One person needs to be in charge of communicating about the situation promptly. One person is head of the whole crisis management team, who takes care of organizing and coordinating the work. Seventy-five percent of crisis planning is possible to do before the crisis (Dallas 2016: 104-105). In company X's, case the crisis has not emerged but on the other hand, team was built the way it could have not handled the crisis. People roles were not clear, and the worst possible scenario thinking was not considered at the needed level.

6   Organizational Behaviour

Organizational Behaviour (S.P. Robbins, T.A. Judge, T.T Campbell, 2010) is a comprehensive work by three experienced writers. Especially previous work from Robbins and Judge have been considered the standard for all organizational behavior textbooks and their focus is particularly European Organizational behavior, which makes the book adequate for my purpose. The book is an exemplary piece of work for a researcher who starting his/her journey in organizational behavior. That is supported by clear writing style, cutting-edge content, and compelling pedagogy. Variability of organizational behavior across Europe is dealt correctly. The work is divided into 19 different sections which widely covers the key areas in the management. This work focuses on the chapters of communications, leadership and organizational change and stress management.

First, it is vital to understand the concept of organizational behavior. A study investigates the impact that individuals, groups, and structure have on behavior within organizations, for the purpose of applying such knowledge toward improving an organization's effectiveness. To break it down, organizational behaviour is curious what do the people do in an organization and how their behaviour affects the organization's performance. Quite often organizational behaviour is concerned particularly with employment-related situations such as jobs, work, absenteeism, employee turnover, and especially the concerns of this paper is interested in productivity, human performance and management. It has been widely discussed about the topics that belong to organizational behaviour. According to an eminent researcher, J.B. Miner (2003) has stated, that the core topics are for example motivation, leader behavior and power, interpersonal communication, group structure and processes, learning, attitude development, and perception, change processes, conflict, work design and work stress. To understand why the company is not performing the level it should, especially interpersonal

communication, group structure, learning attitude development, and perception needs to be examined more carefully to be able to change procedures more efficiently in the future.

Chapter 19, Organizational change and stress management is the most important section for the research in organizational behaviour book. It is important to assimilate the difference between two different changes; planned and unplanned. The company is facing quite ordinal change the companies usually face. Technology related change is commonly planned but it also engenders features of unplanned change. Unplanned changes appear because technology is invariably modernized. Also, the complexity of technology has caused unplanned change for the company. Timetables have been rescheduled and updates postponed because some modifications and improvements to the system have also created some features to the system which were not anticipated. ERP-system overall is a planned change, because it is intentional and goal-oriented activity. Planned change has two clear goals; First, it seeks to improve the ability of the organization to adopt changes in its environment. This is the easier part, and the company has been able to update their it-system to match the current requirements. The old system was from the '80s and all the basic functions for ordering, inventory managing, and selling, but was lacking modern connectivity with emails for example. The second goal seeks to change employee behavior, that is a more complicated goal to achieve (Robbins, Judge, Campbell 2010: 518). Change agents are responsible for managing change activities. They could be anyone from managers to current employees or from newly hired employees to outside consultants (P.C. Judge 2000: 216-26). My role was to act as a change agent when trying to adapt a new operating model with the claims.

Besides Kotter, Kurt Lewin is one of the key people in the change management. His three-step model determines the three stages of a successful change in organizations. I will scrutinize these three stages through the new claim process. The first step, *unfreezing*, faces the most resistance from individuals and group conformity. This is a key moment to instill the idea for everyone that there are needs for new model and procedures. The status quo needs to be unfreezing and requires stronger driving forces than restraining forces. My task is to find restraining forces and convince them of the idea. The second stage, *movement*, transforms the organization from the status quo to the desired end state. In the project, this would mean launching the new model. The third stage, *refreezing*, is to solidify the new change to the permanent procedure. The stage

is stabilizing change by balancing driving and restraining forces. This stage is achieved in the project when the system is in wide use. It is important to observe restraining forces in the third stage. They can still harm the process if they are not taking into account when they are possibly becoming part of the same unit (Lewin 1951). For instance, in the project to hear improvement ideas from the already on the earlier stages to relieve their resistance. Company x is shifting between second and third stages at the moment. The system is launched and operational model is becoming part of daily use, but restraining forces still fight back, because due to the missing features, the system does not convince all the users of its benefits.

7   Action Research

Lewin believed that the motivation to change was strongly related to the action. The concept of action research was born, when Lewin found out that people active in decisions affecting them, are more likely to adopt new ways. Action research can be examined through the three-step model, where *unfreezing* is the stage for preliminary diagnosis, data gathering, feedback of results and action planning. *Movement* stage includes learning process, action planning, and action steps. Changes in behaviour, data gathering and measurement are the actions in the *refreezing stage* (Lewin, 1958). For the deeper research, Action Research by Ernest T. Stringer (2007) discourses the concept wider. Stringer's three steps are look, think and act. Actions on those steps are similar to Levin. Kemmis and McTaggart (1999) see the same process as a spiral of activity with four stages: plan, act, observe, reflect. There are many ways of cutting a cake, processes are similar, activities are described differently. Although steps sound simple, the process is not straightforward. People find themselves working backwards on the routine, processes are repeated, procedures revised, and interpretations rethought. Stinger's work will be wider examined where he discusses the role of a researcher (Stringer, 2007).

8   Management Communication

Communications is always present in management related issues. Management Communications (2014) by James S. O'Rourke writes clearly and content throughout the book is sectioned proficiently. O'Rourke uses a style where he has a topic as a header and then he lists all the related words below it and opens them to a reader by explaining them. For example, in the chapter of communication and strategy cover ''Levels of

Communication''. Four types of communications are intrapersonal, interpersonal, organizational and mass or public. Organizational concept deals with messaging through various layers of authority and using various message systems (O'Rourke 2014: 30). Company X has searched for new channels to communicate in addition to traditional email. The focus has been on finding the platform, that allows open conversation among the users and improves the certainty to deliver the desired message. Due to loads of email daily, employees have given feedback that important information is sometimes complicated to find among numerous emails. Organizational Behaviour (2010) and Management Communication (2014) have its strengths, Organizational Behaviour gives space to ''the grapevine'' and directions to communications whereas Management Communication focuses more closely on little nuances like speaking styles and the importance of determining target audience. Management Communication just narrowly mentioned the grapevine as one of the sources where managers based their actions (O'Rourke, 2014: 8). This needs to be understood carefully as a change agent because it is an organization's informal communication network. Skillful managers can filter and pick the relevant information out of self-interest which the channel quite often serves. The communication pattern of the grapevine on the managerial level has been investigated by K. Davies in Harvard Business review 1953. It showed, while the grapevine was the important source of information, only 10 percent of executives acted as liaison individuals. This will be also under the scope, when creating a new feature to the system with management. Grapevine can be useful on the employee level to gather information, for instance, to hear what they think about the new system and their improvement ideas. Communication should occur through formal channels when communicating with managers.

9   Concepts in Enterprise Resource Planning

Ellen F. Monk, assistant professor of MIS (management information system) and Bret J. Wagner, associate professor in the University of Michigan, have written a book Concepts in Enterprise Resource Planning (2013). The publication discusses how business work and how information systems fit into business operations. It helps to understand how ERP software can improve the performance of these business processes. The research will emphasize on chapters human resources processes with ERP and process modelling, process improvement, and ERP implementation (Monk, Wagner, 2013).

10   Challenges and limitations in the project

Objectivity is one of the issues in this project. I was needed to maintain a neutral stance in relation to interpersonal issues. Participation entails I needed to develop empathic understandings that come about only through close involvement with people. It meant that I needed to upkeep good relation to the management level because they provided the sources for my research. If the relationship had suffered, there would have been less interest from them to use me as a change agent. I needed to maintain a good relationship with sales forces as well, they were the people of using the outcome of the process. Gathering the data involved the objectivity aspects as well. Commonly in research, the sought data has a sense of objectivity because it is needed to ensure that information is gained directly from the participants and is not tainted by the perspectives and biases. The situation should be avoided where our own views and ideas are inadvertently incorporated. I have my own vision how everything should be managed with the new procedure, but it because this for the company's good, the research needs to be examined with different stages in work hierarchy (Stringer, 2007).

The role of time factor increased throughout autumn 2017. Common intent was to harness a new procedure at the beginning of the year 2018. CEO of company X had the interest to introduce this new model to our suppliers end of this year 2017 when new arrangements are overall done for the next year. The problem was, that back then software did not yet enable any type of recording of data. I ran various different examples in test mode to see how different types of claims can be recorded before launching it. Software provider was relatively busy with fixing existing problems, therefore the launch was postponed to April 2018. The year 2018 provided the item data for the company X, but not accurate costs related to the claims. If improvements regarding cost recording can be launched end of spring 2019, it may give useful leverage for partner negotiations for the year 2020.

Implementing the claim culture in the organization was tried approximately ten years ago. Same issues arose back then, which are seen as major obstacles today. Adequacy of the software has been questioned several times to work with the claims. When the new software was planned with the provider, the functionality of the claims was not taken into account as carefully it should have been. This was one issue which was discussed, because obviously there had been too much complacency to even create a vision. When

complacency was overtaken, the vision had not taken everything into account which hampered the communication and therefore engendered silent resistance.

11 The claim operational model

The main goal of the new complaint model is to collect information for company X suppliers and products that cause claims. The company will have additional value by learning from its employees how they handle the change. With the new operating model introduces NAV's claim tool to understand the cost of claims as well as future cost-based targeting of different parties. The new approach aims to facilitate the handling of the claim, which means that everyone has more information available because information about complaints is at the centralized site. In addition, each claimed event has its own claim number that makes it easier for communication with suppliers. This makes claims faster and clearer reading. Naturally, this also aims to provide better service to our customers. An accomplishment of a claim form does not generate any accounting events but is a tool only for monitoring and reporting.

11.1 Information flow in the complaint process

Common information flow was created to ensure that customer experience is equal in all the branches company X represents. The model was created in cooperation with the developed director. The customer makes the claim to company X by phone, email or online form. After the first contact, the customer does not have to be in contact with company X, but instead company X then makes sure that the customer is aware of how the complaint is proceeding. The other party to the transaction, the seller or the deputy in question, replies to the customer that claim is received and asks for more information if needed. Response to customer complaint should be given within 1 day. Salesperson fills the claim form and sends it to the supplier. When the seller receives a confirmation of a claim from the supplier, it is required to make the necessary entries such as arrival time comment and memo to NAV and contact with the customer for the claim time of delivery. Customer confirmation must be given within 1 day. If the claimed product is credited, a note needs to be made to the financial administration. The financial administration acknowledges that the claim is dealt with a credit note. This procedure is not currently working due to numerous variations. Later on, improvements regarding this issue will be discussed. When the claimed goods arrive, the next procedure depends on the destination of goods. If the product passes through the central warehouse, the

product is shelved, and the information is sent to the salesperson in a note with a shelf location. If the product continues to travel to another store, the shelf space will be recorded in the memo and print the claim statement in the correct outlet compartment. The salesperson will notify the customer of the arrival in case of pick-up and the deliver organizer if the product has been originally delivered to the customer and the shipping charge has been recorded to the claim system. Once the product has been picked up, the warehouse worker in question will send a note to the salesperson. If the product is shipped, the delivery organizer puts the delivery date and time into the memo. After this, the seller can acknowledge the claim is processed. If the product is picked up from the store, the seller will post out the claim.

11.2 Claim types

Complaints can be divided into three different types according to the source of the cause. It is important to be aware of the cause, as it determines how the claim is treated.

Supplier-based faults: Delays, defective products, and products that differ from company X's orders. All these types of claims are recorded in Nav and sent to the supplier as agreed in the process. Exceptionally, garden furniture for stock sales. The stock will replace the damaged item physically and transfers the balance defected claim location.

These are not sent to the supplier, but they are handled together by product management and warehouse manager. A supplier will replace the number of damaged goods or send a credit note worth of the damaged goods to company X.

Salesperson based faults: When the sales person has ordered the wrong product or damaged it by handling it, the order will not be sent to the supplier, thus the data collection shows only the cases that are independent of company's actions.

Sales person uses the original order number as the reference when asking the supplier to replace damaged or incorrectly ordered products. The issue is that certain order can be just invoiced once, therefore these costs were initially planned to be marked in one account to follow how much costs are cumulated by the company itself. This will be later discussed because this problem is not solved yet (see 12.4.).

Delivery company-based faults: Major logistics partners caused transportation damages are reported to NAV for quality monitoring and verification. A claim is made to the carrier by using their supplier number. It is required to have two lines of claim handling fees (100107), one of which is the regular 50€ and another line with the purchase value of the item. This needs to be discussed with the delivery company, quite commonly item can have hidden damage, whereupon the cost is split evenly between the delivery company and company X. In the case of full compensation, the salesperson makes a new contract under the name of the delivery company (invoice address). Shipping details need to have the customer information where the products are eventually delivered. The invoice is sent to the delivery company, who completes the payment when they have replaced the damaged goods. Damage goods are their property and they are responsible for possible disposal. If the certain item is no longer in production or customer is willing to accept compensation, the delivery company is invoiced without a sales contract. Cash flow to customer transfers through company X, which means that credit note is posted by company X.

There are also cases where the cause of the damage is not clear. Taken actions will be agreed with the parties concerned. In general, the costs are set at half.

A price list has been set for the claims to assess any indirect and direct costs. Expenses (transport & assembly) are designed to be used by the company and if they are decided to be invoiced from the suppliers in the future, then new contract negotiations are required.

11.3 Recording the claims in NAV

There are two stacks in the role centre: open claims and overdue claims.

• Open claims stack is the source to create a new claim.

• Overdue claims indicate the number of claims which have met the due date but the claim is not resolved.
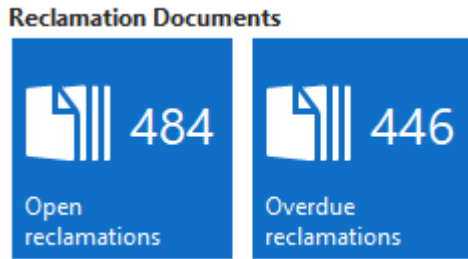
Reclamation Documents

Figure 1. Reclamation view at the role centre

This indicates, that claims are not marked as resolved when the process is completed. Overdue reclamation pile involves claims which due date has expired.

Open reclamations are a filtered view of just open claims. Thus, when a filter is removed, all claims (open, resolved, rejected) are displayed, or when the filter is changed to resolved, the already resolved claims are only displayed.

Figure 2. Claim listing and status filter

Filling a claim to the system is step by step process:

1. Enter the information on the supplier to whom the claim relates. All the other vendor related information will be retrieved after filling four-digit vendor number and pushing enter.

2. A due date will be set two weeks ahead

3. Salesperson uses personal user number as a purchaser code to indicate who is handling the claim.

4. The claimed item(s) will be listed. Type is always item and no. requires the systems item number. To ease the process, this is beneficial to copy in advance from the original sales order.

5. Select the correct code for the claim: DEFECTIVE, DELAY, INCORRECT PRODUCT. Defective has two alternatives, whether the product has been arrived as defective or it has become defective in customer's use during the warranty period. Let's call that CORRUPTED.

Figure 3. Filling the claim form

6. Item cost will be marked as 0€ as there is the assumption that the supplier will deliver free of charge to replace the new product. If the product has been a category code, exact product information will be added to the comment. Category code can be used in the system to order products which do not have specific item numbers, or they include modification to commonly used item codes. Category code determines only vendor and category code, such as sofas, but does not have set measurements or purchase price.

7. All claims need to have the indirect cost of 50€ to indicate the claim handling fee. The number has been decided to base on estimation how much time the handling of the claim takes from sales work. The other possible cost lines are transportation fee or assembly fee. Transportation fee is based on destination and assembly on duration. Vendors will see these amounts in the document they receive but are not obliged to pay those, because it is not in contracts. However, numbers give valuable information, how much company X pays for replacing claims.

8. Customer information will be added by placing the customer number to the sell-to customer no. field. It will collect all the information of the customer to empty fields such as address and phone number. This requires that this information is found on a customer card.

Figure 4. Filling the customer information

9. Claim requires an accurate description of the fault and that will be placed to the comment sheet. Navigate tab has an option to add a comment. A comment should contain information about damage and the original order number. Always it is not required to replace the whole item, for instance, if the table was just missing fitting set. Then comment should express this. Later comments should have information about the faith of damaged item if it will be returned to the vendor or disposed of by company X. All communication with the vendor is useful to record to comment sheet to ensure that anyone can possibly tell the customer the current status of the claim.

Figure 5. Comment sheet

10. Before sending the claim to the vendor, the preview will show the filed claim. After that, the claim is saved as pdf and sent to the vendor. The vendor will confirm the delivery time or ask more information. If an item has suffered the damage, pictures from the fault and packages are required.

RECLAMATION

Page 1

Vendor information

Buy-from Vendor No.	0023
VAT Registration No.	DK13025207
Reclamation No.	RECL2876
Document Date	11.03.2019
Prices Including VAT	No
Due Date	25.03.2019

Phone No.	
Home Page	
E-Mail	
VAT Reg. No.	FI21117558
Bank	Danske Bank
Account No.	FI5981150710323903
Purchaser	Elmo Otronen

Type	No.	Description	Variant Code	Quantity	Return Reason Code	Direct Unit Cost	Amount
Item	0023002423	████ ████, ████ ████		1	VIALLINEN		
Item	100107	Reklamaationhoitokul				50,00	
Item	100006	Kuljetusmaksu				70,00	
						Total EUR	**0,00**

Ship-to Address
Sell-to Customer No.   270394

Sell-to Address
████████
████████ 11
████
FI
████████

Comments	Date	Comment
	11.03.2019	Fitting set missing from table, original order number 17054287
		When arrived to warehouse, posted to customer
	14.03.2019	Vendor confirmed the fitting set to arrive week 15

Figure 6. Filled reclamation view

11.4 Refund policy

The customer has the right to claim compensation for the delay in domestic products from the beginning of the second week and from foreign third-week vendor confirmation. The value is calculated 2% per week of the value paid by the customer for the product in question. If the customer paid € 2000 the foreign sofa is four weeks late, the customer gets a refund of 4% or 80 €. Anxiety credits for a company are not obliged to pay. Listed below is what the customer is offered as a refund.

1. A product worth a refund, preferably from a warehouse or store. If the product is more valuable, the customer pays the difference.

2. Gift card, an excellent way to ensure that a customer returns to our customer.

3. Reduction of trade amount - credit for sales in case customer has open payments in the system.

4. Money back to customer's bank account

Case-by-case treatment is desirable. If the customer is eligible for an € 80 refund, then € 100 gift card it may be a question, as it is most likely a more profitable option for the company. If the product is delivered on time, but in the condition that it cannot be used, the customer may also demand credits from the third week. If the product can be fixed to original condition, it will of course, be repaired. If a new product is ordered and the customer has a substitute product in use, and the obligation to refund is lower. If the product cannot be repaired and the delivery time for a new product takes longer, loan product from the store could come in question. It is a good thing to remember about the cost of transportation services are usually more than a legitimate customer credit. Claims should be handled always on a case-by-case basis so that the customer will continue to return to company X. It is important to remember that there is no need to agree on all the claims, the company has obligations, but also rights.

12 Data collection

All following data is collected from company X's enterprise resource planning system Microsoft NAV Dynamics. Data collecting was started in April 2018 and this analysis will cover data until the end of the year 2018. Data was saved to the system as explained in section 10.3. The system allows drawing the data to Microsoft Excel on the level of headline information, which includes vendor and customer information, cost centre, date, and claim number. Item information, return reason code and possible costs were needed to fill manually. Pivot tables illustrate accurately how claims are divided between branches and indicate for example if some locations have not been using the model at the desired level.

Store	Claims
V001VAR	213
V002VAR	57
V005VAR	3
V006VAR	57
V007VAR	11
V010VAR	27
V011VAR	61
V012VAR	57
V013VAR	10
V014VAR	18
V015VAR	13
V016VAR	26
V017VAR	38
V019VAR	48
V020VAR	7
V022VAR	3
V023VAR	25
V030VAR	18
V035VAR	2
V037VAR	13
V038VAR	3
V039VAR	29
V040VAR	40
V043VAR	70
V044VAR	4
V046VAR	1
V051VAR	1

Table 1. Claims 1.4.-31.12.2018

The period had 855 recorded claims overall, which makes monthly average of 95 claims. There is an error margin when we consider the slow start in many locations of collecting the data. This is confirmed by pure figures, two stores have made a 1,5 million turnover, one has 3 recorded claims and the other 38. Two of the causes of claims represented the majority. 38,5 percent were defective products and 53,7 percent were corrupted. This would have been thought to be more even number between these two, but the explanation is found on high selling chair model. They have created new legs which last, but all the hundreds of chairs from years 2015-2018 have the leg model with weak joints. Those problems appear when the chair is exposed to strain, therefore those claims are handled as corrupted. Five vendors with most claims formulated 44,9 percent of all claims. Reasons behind can be searched from the products, like the example above. Comparing the sales volume to the claims gives a better picture of the whole situation.

When examining the ratio between sold item lines and the number of claims, can be stated, that at the percent level the situation is healthy. For example, companies with most claims are high in sales volumes. Suppliers 0017, 0023 and 0360 belong to the top five suppliers based on revenue. 0017 had 10470 sold lines and 72 recorded claims, which means that 0,7% percent of sold lines is causing claims. 0023 had 9150 sold lines, but 190 claims, which sets the percentage at 2,1%. One reason for 0023 having a higher percentage than 0017 is the fact that 0023 devoted to company X's claim reform and demanded every claim to be recorded to the system. 0023 understood their benefits as well when they have clear claim reference to use when they ship the goods to replace the damaged ones. 0017 has been aiming for future growth and has been renewing its production machinery. This has caused delays, but it is not seen on data, because only one delay claim recorded to supplier 0017. Although they have informed shareholders appropriately, the number is too low compared to sales volume. 0360 has fewer sales volume but high revenue because the average value for one purchase is higher. The ratio is 0,8% which is in line with other suppliers. Supplier 0109 is another actor with a bit higher ratio what it is mainly explicable with their one product category. 1090 has many product categories, but this one has over 22% of all claims. Items in this category have had a certain type of fault. These items are ordered as in container goods in big amounts, which means that if that shipment has faulty items, there will be plenty of them.

One main target in claim collection was to learn about the cash flow related to the claims. Transport and assembly fees were collected part of the data and it revealed that claims caused a significant extra expenditure of 30,000 euros. The greatest issue is that the company would know the amount of refund to customers. The refunded amount to actual sales was approximately 52,000 euros which means that company X refunds customers nearly 61€ per claimed case. Only 5000 euros were marked clearly to claim data to indicate relevance between refund and claim. The assumption is that 70% of refunds are related to collected claims, which means that reason to refund is based on suppliers' actions. 30% percent covers the company X incorrect orders and damaged goods at the warehouse which are not collected to data. 3000€ were marked as the amount that suppliers have refunded which correlates the amount marked as customer refunds. Supplier always refunds from the net price (purchase price for the company X), and company X refunds the customer from gross price (the amount customer has paid). This means that if a contract is cancelled due claim, the amounts company X receives from the supplier will not match. The same issue applies with delays because supplier refunds the percentage from net price and company X from the price customer has paid.

But if the refund reason is based on defective product, company X should try to match the customer's refund amount better with the amount refunded by the supplier. Chapter 13 will introduce new ideas for the functions with which will contribute to finding out the real ratio between claims and refunds.

13 Complexities in the current claim model

13.1 Ship-to name

There are smaller details to fix to ease the everyday work of the users and then greater issues such as mentioned refund information. In the cases, customer claims for the product which has been purchased on the time period of old ERP-system has issues related to its customer number. The old system did not have customer numbers, and if the claim is completed without customer number, it has an effect on the table view. That complicates the search process. It would require creating the old customer manually to the system before starting to fill the claim form. In order to ease to process, it is worth to consider whether the ship-to name information could be picked up from customer table instead of sell-to customer number.

Figure 7. Sell-to customer number relation in the search process

13.2 Confusion in the form view

Another smaller detail is the view of the claim form what is sent to vendors. Still, some vendors have been giving feedback, that it looks too much as an invoice and smaller vendors, who rarely have reclamations, have been furious about them, because they have understood that company X requires them to pay some amounts seen on the form. As explained, until otherwise agreed commonly, prices seen on the form are just for the company X's data to estimate for example claim related delivery fees. Bank account number and due date would not be needed to be seen, because the claim amounts are

not invoiced at the moment. If the amounts are needed to be invoiced in the future, new information such as a reference for the payment needs to be added. See figure 6.

13.3 Purchase return order

This process is important to maintain the balance between assets and cash flow. Purchase return order is a contrary action to purchase order. Purchase order receives goods and supplier invoices the amount from company X. Purchase return order reduces the balance, basically ships the goods back to supplier and company X invoices supplier to get the money back, they have originally paid. The issue is, that quite often store managers will ensure that they receive the refund but haven't taken the remaining balance into account. If the refund is received and allocated, it is too late to create purchase return order, because it would remain open and look that company X would still receive a credit note. This was on major reason for huge asset drop in 2018 inventory. When the balance is reduced through inventory journal, it will not recognize the possible refund the company X has received but it will be marked as clear asset loss. This would also require a clearer numbering of the purchase return orders in order to the financial administration to recognize the refund is related to the purchase return order. 245 open purchase return orders also indicate that know-how level overall in company X is not on the level it should be. There are plenty of cases which were not supposed to be handled with purchase return orders and plenty of cases which have completed right, but finance has not allocated the refund to the right source, therefore the order is still open.

Purchase return order should be used in claim cases where the contract of sale is cancelled due to a fault or in a product. In these cases, company X wants to send the product back to the factory and receive the credit note. Since there are also cases when purchase return order is non-related to claims (company based incorrect order), the return reason code should be used to indicate the link to the claim when making a purchase order. This would allow the company to collect the data of all cancelled sales contract due to the supplier-based fault.

Purchase return order is also experiencing technical problems. In cases the original order is located to the main warehouse, a user cannot copy the original order to complete purchase return order. The main warehouse as order location means that goods are asked to be delivered to the warehouse. The copy function is otherwise useful, because

it effortlessly returns all the information such as purchase price from the original order, but also remembers desired order location. The problem is, that when cancellation is completed the item balance has returned to the store location where the order is originally made, even if the product has never been physically in that location. Therefore, beneficial copy function cannot be used, because there would be a contradiction between the current balance location and the source which copy function offers. This means that purchase return order is needed to fill mainly manually which increases the odds to complete it incorrectly. Category codes require SPO-tracking number in purchase return orders and this window is missing from salesperson views. These cases have been a particularly large factor to inventory asset loss and non-correctly allocated credit notes.

13.4 Salesperson based faults

As discussed, sales person-based faults do not mix the claim data collection, but other operational models related to it should be considered in order to ensure the accuracy of cash flow related data. At the moment there are few different accounts where the invoice is allocated if it does have an order to connect with. All those invoices without the connection to order have been treated as claim cases caused by company X. These few accounts are not clearly designed just to collect the information for sales person-based faults, therefore company X does not have accurate information about the sales person-based faults.

Either the operating model for invoice allocation needs to be changed or the whole sales person-based faults must be moved to a bit more arduous method. If everything is wanted to go by the book, this more complicated process should be in use. Benefits of the model are clearly seen, but it includes numerous operations through the field.

Example:

- A customer has ordered a white product, but salesperson makes the contract and order of black product.
- A customer receives the product and informs the salesperson about the incorrect shipment.
- *Current model:* Salesperson sends an email to the supplier and asks to replace the product with the right colour. Possibly the order is made for the incorrect

product if it is agreed that it will remain in store. If the case is that just one part of the product is replaced, which means that the part is not possible to sell alone, an order is not created. The issue is, that if customer claims about the product in the future, the contract would deliver incorrect information because it was never modified. This involves other difficulties as well, usually, the replacing product still has the original order number, because replacing order is completed to the system when the customer has returned incorrect product. Customer tends to return the product when the new correct one is available. Although physically black is wanted, the order needs to indicate white, because it will be coming to stores balance. This means that the order and invoice do not match informatively. Due this has two quite freeways to operate, it causes many misunderstandings.

- *Suggested model:* Sales contract should be updated to equate to the product that customer has received. It requires sales return order for incorrect product and money allocation from cancelled contract to the new correct one. It may require purchase return order if supplier accepts the incorrect product back to the factory. This clearly reduces the possibility of misunderstanding and makes accounting clearer.

In fact, the disadvantages of the new suggested operating model are less than the current model. This model will not identify cases as sales person-based faults but are treated as normal orders. On the other hand, there is no certainty that the current model would identify them because there are too many accounts and ways to handle the cases. Certain spare part cases still would need for a collective account, but it would wiser to replace incorrect orders always as whole products. Another issue is related to goodwill, the suppliers offer for stores to keep the incorrect claim. Due to the incorrect product is fully invoiced, they offer the purchase discount for the order. This means, that salesperson will lose the provision when they have cancelled the original sales contract but get higher provision when replacing sales contract is posted out, because sale purchase order discount is attached to the sales contract. Re-valuation has a tool in the system, but the finance department has instructed the IT-management not to use it. If the company wants to prevent salesperson not getting the higher provisions they are not entitled to, it means that purchase order allocation will be posted out with the wrong value. This has consequences for the balance statement and cash flow. The system would indicate that the asset value is higher the company X has paid.

14   Necessary developments

Development ideas are based on the current findings, which have revealed the inoperative areas in the operational model. Those inoperative areas comprise data which is lacking some key information. It is vital to remember, that data itself does not solve the issues. The data needs to be interpretable in order to the draw right conclusions. For a longer period of time, centralized claim handling has schemed, so development ideas are designed from that point of view. Development ideas would be decided at the board meeting and the vision and team will be selected to take the reforms. Here is a good opportunity to learn from the challenges of change management and avoid the mistakes made earlier.

14.1   Centralized claim handling

Feedback from the field has delivered the same message for a long time. Claim handling takes time and lowers the mood overall. Therefore, centralized claim handling would release more time to salespeople to sell and manage the customer relationship. In the vision, a salesperson would still receive the claim, save it to the system and manage the customer communication. Claim controller would act as an agent between company X and suppliers. For instance, the controller would ensure that company X receives the agreed credit notes. This would give more reliability to data and company X would be assured that claim related refunds are known. The person would monitor and help sales person to collect the data correctly.

14.2   Tick boxes and return sales order code

As stated, the major lack of information is in the correlation of customer refunds and claims. If the company is willing to receive compensation in the future from suppliers, the data needs to include the amounts of credited customer transactions. One way to be able to track claims which have led to customer refunds is to create tick box to the claim form. This would allow the claim controller to list all the claims which have caused cash flow back to the customer's direction. Tick box would require additional job from system provider. This would require a work duration estimate to determine whether it would be profitable to invest in this model. Sales credit memo and sales return order have return reason code in the first place, therefore this would not be a financial investment, but a change in every day habit. At the moment the return reason code is not used in a coherent way, which would indicate if the return is linked to supplier-based claim or not.

Time has proved to company X that when the operational models are new, there is a need for reliability that the operations will function as planned. Tick box and return reason code would support each other and give credibility to the data. If the tick box proves to be too arduous to manage and therefore expensive, the return reason code will provide information of claim-based refunds. This tabulation is also possible in the system as such.

14.3 Credit notes from the suppliers

This has pregnant problems and solving them requires effective communication among all the shareholders. For instance, domestic and international suppliers have different invoicing systems. Numerous international suppliers use consolidated invoices, which would also mean, that credit notes come as part of them. Heretofore purchase credit notes have been allocated to purchase invoice account, but if the case involves purchase return order, inspection is needed to clear the possibility to allocate the credit to purchase return order. As discussed, purchase return orders are not used correctly in the system, therefore there is a lack of information if the allocation of the credit note in consolidated invoice can be made to purchase return order.

Domestic suppliers do not use consolidated invoices, but their credit model should be under consideration for the other reason. If they have accepted the claim, they will send replacing the product and invoice it. They will credit the first invoice when they have received the non-marketable product back to the factory. This means that company X is acting as a bank for suppliers when there is only one saleable product received but two paid invoices. Although some terms of payment include long payment time, it may take a long time to return the incorrect product to the factory in order to receive the credit note. In the absence of a clear monitoring system, company X cannot be sure that this belonging credit note will never come.

Things are also hampered by the lack of uniform guidance on how the supplier marks the credit reference. In the worst scenario, even the cost centre information is missing, which means that ledger accountants cannot know where to allocate the credit note. If the credit note is supposed to be allocated to purchase return order, the used number is not clear enough to indicate the connection to it. If the credit note is given due to small fault on the product which customer accepts, there is not one account in the system, that company X could follow the amount suppliers' have credited. Therefore, the first

approach to improve the follow-up would be the same type of tick box to the claim form as suggested to track amount credited to the customer. Invoicing suppliers based on agreed refunds has been under consideration, but it may be too arduous and not work correctly with consolidated invoices. In that case, the monitoring would mean marking the data to excel, where claim controller is up-to-date on agreed credits coming from the supplier. All arriving credit notes with a claim identifier would be conducted to this person. If this is wanted to be a more reliable model, which leaves also data to the system, then it would require bigger modification to claim platform in the system. One idea is to create a feature that allows creating an invoice on the claim platform. The claim would show the amount the company is expecting to receive. When the controller has seen the credit invoice, the credit is allocated to this open claim invoice. Creating this model would require investment because those features do not appear in the system. This would also require an explanation of whether it is possible to move to one claim credit account and what impact it has on allocating other invoices. Even the larger question than possible resources to reform, are the stakeholders. There are large international players among them, so they may not change their operational models just because of company X.

15 Conclusion

Managing a successful change requires a strong vision towards everyone will work for the common good. Vision has become clearer during the journey, but it has not convinced all the employees, because still the tangible results are not seen. Communication becomes more frequent at this stage keep people motivated in order to reach tangible results. Communication should remain active also towards stakeholders such as suppliers in order to prevent misunderstandings. There have been new suppliers, which would need instructions of the company's claim procedure and reminder for other suppliers would be useful as well. Utilities should be perceived as what is good for business, is good for every individual. This set of values may blur if the company does not clearly declare short time victories as achievements to prove that the change is on track. Complacency is still a significant obstacle on the company's way because employees perceive that things have worked so far, why they are needed to be changed. Also, on the operational management level, everyone has not assimilated the importance of change. Leadership requires leading from the front and own actions encourage others to act the same way. Efficient communication will assist in the process and fight against complacency. The same situation what happened ten years ago, when resources were wasted, and nothing was achieved was not given enough attention. The change process

so far could have been more efficient if that period had been analysed more carefully. The company is aiming to have solidified change, which sets an operational model that lasts over the generations. The company is still on the track to achieve refreezing stage, but it requires coherent leadership, focused vision on complexities and open, efficient communication to keep everyone on the board.

Looking at the future where all necessary development has taken place and company X has managed to particularize vision and enhance communication. Effects are focused on the better functionality of the ERP-system, which also means easier access to cost related data. When the cost related data is accurate and known, it gives leverage to the company for the shareholder meetings. Tens of thousands of direct costs could be allocated more evenly, and indirect costs decrease significantly when shareholders know that they are also responsible for those. There is a chance to link company X's ERP-system to BI-system which would lighten the manual workload of saving data. In order to make the investment worthwhile, it would require higher participation and engagement within the operating team. Heretofore during the process, attention has hardly not been paid to the employees' behaviour. Employees have suggested the centralized claim handling for a long time and the possible impacts seem clear. Cost of claims would be determined more carefully, and employees would have more time for actual sales job. When the cuts have been made, the employees have been listened, but the suggestions have not led to a concrete level. Another risk of raising the resistance and widen the gap between management and employees. Naturally, the challenges of centralized claim handling need to be determined. Accurate job description assures that a suitable person will be chosen to handle the work. The greatest challenges will be learning the new operational model of centralized handling. In the future, even greater changes are faced when structure of the trade will be shifting more towards the web. The role of coherent human leaders grows at the rupture point. When employees get their voice heard, their motivation and engagement to work for company's good increases. The effects are very significant for the whole company when the cohesion intensifies.

16 References

Dallas, H.J. (2016) Mastering the Challenges of Leading Change, Hoboken, New Jersey: Wiley

Davies, K. (1953). Management Communication and the Grapevine. Harvard Business Review

Kotter, J. (1996). Leading change. Boston, Mass.: Harvard Business School Press

Judge, P.C. (2000). 'Change agents,' Fast Company, November 2000

Lewin, K (1951) Field Theory in Social Science, New York: Harper & Row

Lewin, K. (1958) Group Decision and Social Change. Maccoby, E.E., Newcomb, T.M. and Hartley, E.L., Eds., Readings in Social Psychology, Holt, Rinehart, Winston, New York

Miner, J. (2002). Academy of Management learning & education. Briarcliff Manor, NY: Acad. of Management.

Monk, E. and Wagner, B. (2013). Concepts in enterprise resource planning. 3rd ed. United States: Course Technology.

Kemmis, S. and McTaggart, R. (1999). The Action Research Planner. 3rd ed. Singapore: Springer.

Office of Finance. (2017). Gartner: 75% of all ERP projects fail - But why?. [online] Office of Finance. Available at: http://officeoffinance.com/gartner-75-of-all-erp-projects-fail-but-why/ [Accessed 7 Dec. 2017].

O'Rourke, J. (2014). Management communication. 5th ed. Essex: Pearson Education Limited.

Robbins, S., Judge, T. and Campbell, T. (2010). Organizational behaviour. 13th ed. Harlow: Pearson Education Ltd.

Stringer, E. (2007). Action research. 3rd ed. Los Angeles, Calif: SAG