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Case study

IT-enabled organizational transformation: a case study of BPR failure at TELECO☆

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Abstract

This case study describes a business process reengineering (BPR) initiative undertaken by a US telecommunications company (TELECO) in response to imminent survival-threatening competitive pressures in its traditionally monopolistic market. The case study, first, highlights some of the seldom talked-about problems faced during the redesigning of business processes such as: the lack of detailed knowledge about functional areas; hidden agendas of top management; lack of knowledge of (and over-reliance on) computer-based BPR tools; poor choice of metaphors in the organizational language; and the lack of communication. Thereafter, the case study identifies critical problems faced in implementing redesigned processes. These problems include: the difficulty in creating an atmosphere of open communication; pressures against selecting IT vendors on merit; lack of awareness of the lead times associated with IT; uncoordinated implementation of HR and IT strategies; and discontinuities in the leadership. While we hope that the reader will be sensitized to the issues highlighted in the narrative and will individually derive lessons for application in familiar contexts, we nevertheless provide a discussion on three issues that, in our opinion, significantly contributed to BPR "failure" at TELECO. © 1999 Elsevier Science B.V. All rights reserved.

Keywords: Business process reengineering; Information technology; Management of information systems; Organizational transformation; Failure; Case study

☆ The name of the telecommunications company and some minor details have been changed to disguise the identity of the organization and the informants. The contents of the case are however *very real*, and the case narrative has been developed based on extensive field notes and interview transcripts.

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1. Company background

In 1993, TELECO was an independent telecommunications company with a work force of approximately 3500 employees based in a prominent US city. For over a century, it had provided telephone service to businesses and residences in the city and in the adjoining areas within a 50-mile radius of the downtown area.

1.1. The culture: monopolistic, technocentric, and territorial

TELECO's culture was described by many organizational members as "monopolistic," and many of the company's practices reflected its non-competitive environment as it served a captive market. TELECO was also clearly an "engineering-driven" organization, and a technocentric approach to operations was evident from the way TELECO's new products and services typically originated. For example, according to a sales manager, TELECO would acquire a switch from AT&T, "find out what it could do, and then try to force-feed an application to the user," rather than find out what the customers needed and then implement a suitable technology. TELECO's priorities were greatly influenced by the regulatory environment (e.g. The Public Utilities Commission), which provided the telecommunications company with a guaranteed client-base, but required it to measure service levels using "standard" indicators, and demonstrate high performance on the indicators in areas such as directory assistance and response to customer complaints. The resulting service measurement orientation in the company encouraged a fragmented accountability system and quick-fixes to symptoms of larger systematic problems by "throwing people" at a problem to boost service levels.

Another dysfunctional aspect of the organization was the existence of cross-functional barriers that encouraged territorial behaviors among the employees. For instance, a Vice President (VP) described difficulties arising in her area because of "finger-pointing" between the circuit designers and circuit testers. Similarly, another VP expressed concern over the "total lack of cooperation" between field-staff and the central-office staff. In his words:

> There was a political wall, you might say, between the 'inside' folks and the 'outside' folks. The people outside were not allowed to come into the central office and do the work required to provide the service…

1.2. Antiquated information systems

A great deal of dissatisfaction also existed in the management ranks regarding TELECO's information systems. There were "islands of automation" in the company, and many computer systems were unable to communicate with each other. TELECO was struggling with its legacy systems, some of which were proving to be significant barriers to responding promptly to customer inquiries and needs. A sales manager, for example, complained about the inability of the billing system to provide a detailed itemized record for any sale:

> Our billing is severely limited…we could not tell you what serial numbers and which circuit pack was there on a PBX…we would have a single line on the bill