

MEKI

By Dorthe Døjbak

History

MEKI is part of the worldwide concern ABD that operates within the fields of road surfacing, chemicals, and manure systems.

Established 1929, MEKI belongs to the chemicals division. Today the chemicals division is the most important intermediary and distributor of raw materials, ingredients, and chemical products in Denmark. The chemicals division is subdivided into 4 business units (cf. figure 1).

The purpose of this subdivision of the organization is to make each business unit small and big at the same time: Small in the sense that, given a focus on a restricted area, specialization and profound knowledge is attained; big in the sense that it is possible to make use of the knowledge of, e.g., quality control, logistics and the like, of the organization as a whole.

MEKI belongs to the industrial chemicals unit. A total of 4 specialized departments belong to this industrial chemicals unit, one of them being the main office in the city of Horsens. Together with the main office, MEKI is the biggest of these special departments. This is mostly due to the very extensive storage and draught capacity of MEKI.

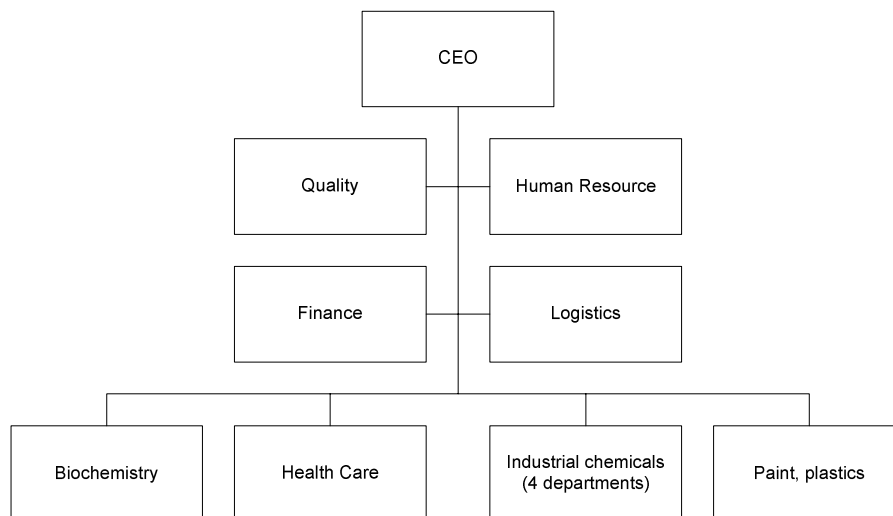


Figure 1: Organizational Chart: ABD, Chemicals Division, 1999

Products – Competence

MEKI produces and distributes raw materials, ingredients, and chemical products. In addition, it develops and elaborates the same products, in cooperation with customers and suppliers. To a considerable degree, MEKI is servicing suppliers, providing the storage, mixing and casking of chemical products. The range of products handled by the company comprises basic chemicals

in solid or liquid form, packed finished goods, and disinfectants, among others things. All in all more than 1.500 different products are handled.

In a general sense MEKI's sales can be divided into 4 groups:

- MEKI acting as an agent
- Direct sale
- Storehouse sale
- Development sale.

Agency sale, direct sale, and storehouse sale make up between 80 and 85% of the total turnover of the company. Development sale only comprises a little more than 15% of the turnover, at present.

By agency sale and direct sale MEKI acts as an intermediary between buyer and seller. MEKI simply keeps the products of the supplier in store, until they are sold. The difference between agency sale and direct sale is that by direct sale MEKI itself invoices the customer.

Storehouse sale implies that MEKI buys chemicals in bulk and stores them in large tanks. From those tanks MEKI decants the chemicals in cans, mostly containing about 25 litres. Sometimes storehouse sale also demands the mixing of two or three chemicals. Thus the filling and mixing of products is the special field of MEKI.

Development sale is different from the other types of sale, because here MEKI functions as an expert and sparring partner for the customer in developing and working out specific products for the individual customer. It is primarily through this development sale that MEKI creates a value increment recognized by the customer, because through the cooperation MEKI is able to establish a relationship of trust. So MEKI earns by far the biggest surplus by development sale. MEKI consequently is interested in augmenting the sale of development products and estimates that there is a potential for that, with a little effort and a few organizational changes.

The staff

MEKI has 60 employees. 20 of these are salaried workers, most of them with a higher education. In production, storage, etc, 40 are employed. These have no higher education but have been through a couple of staff-training courses.

All the salaried workers have job descriptions that outline their functions in general. All the workers employed in production or storage have standard operational procedures describing how the different chemicals are to be handled.

Management

The chief executive officer of the MEKI subsidiary is plant manager Kurt Olesen. Below the plant manager there is a production manager, a manager of administration, together with a laboratory manager (cf. figure 2).

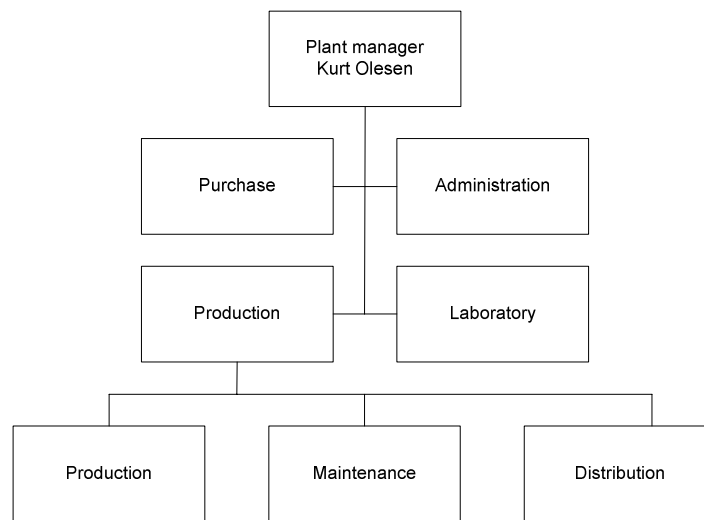
The main functions of the plant manager are the far-reaching, strategic decisions. He also keeps an eye on the day-to-day running of the firm and represents its interests to the outside world. By way of example Kurt Olesen carries the main responsibility for MEKI's development sale, albeit hitherto comparatively limited.

The manager of administration is responsible for the reception and execution of orders, the administration of wages and salaries, the clearing of goods through the customs, and accounting within MEKI.

The production manager is in charge of production planning, adherence to the time of delivery, fault location, and, in concert with the plant manager, evaluates and maybe carries out new initiatives in production. The production manager spends a lot of his time every day solving petty problems from the organizational levels below.

The laboratory manager is responsible for the current tests made in order to control the quality of production. In addition to that, the laboratory manager also, in concert with Kurt Olesen, cooperates with customers about development sale when new products are to be developed and tested.

Figure 2: MEKI Organizational chart 1999



Meetings, the making of strategic decisions

However, the headquarter in Horsens is the real management of MEKI. From there originates all strategic planning for the specialized departments. The plant manager of MEKI, however, participates in meetings concerning strategy for the industrial chemicals unit. As far as possible Kurt Olesen tries to pass on information from those meetings to his middle management. In due time, of course, the MEKI staff will be informed about important decisions by way of written announcements in the company intranet.

At present the way of functioning is that Kurt Olesen simply informs his own middle line about new initiatives taken on concern level; afterwards he and they together consider how MEKI can adapt in the best possible way. This briefing of middle management takes place in monthly meetings or occasionally whenever they may run across each other in the corridors. There is very little independent strategic planning going on in MEKI. This is partly due to the fact that MEKI feels very dependent on the Horsens headquarters, and also because management rarely has the time to stop and make long term considerations, being what they themselves call “firemen”, which means that they are frequently called upon to “extinguish” small conflicts and problems that arise in the company.

The management level below Kurt holds weekly meetings. The purpose of these is to discuss what has happened during the week, even out possible misunderstandings and, in general, to discuss the day-to-day running of the plant. These meeting are marked by frustrations, now and then, because Kurt Olesen’s middle management sometimes feel that their many good ideas are never carried out because they are not communicated to the Horsens headquarters in a proper way.

There is close contact with and control of all the employees, the plant being rather small. The managers below Kurt are involved in practically all the decisions made at the organizational levels below them. Sometimes the whole working day of the production manager will be spent on solving sundry problems in production. The company uses the Lotus Notes system, and most communication between headquarters and MEKI is affected by this. Within MEKI itself the system is used less extensively. The company considers introducing access to the internet for the whole salaried staff.

Production, technology

The production connected with agency sale and direct sale consists in storing chemicals safely before they are distributed to customers. The size of stocks is registered by computer, but otherwise production is not computer controlled.

As already mentioned storehouse sale may imply ordinary filling as well as mixing of products before, during, or after filling. Filling consists in decanting chemicals from large tanks to smaller casks, often 25 l. cans. The filling of such cans is carried out manually, i.e., employees fill the cans manually from tubes (as in a service station). For control reasons a bar code is introduced in connection with the filling process so that it should not be possible for the employees to draw wrong products into wrong casks. The bar code system does not function, however.

As mentioned above, another and perhaps a larger part of MEKI's business is mixing products, by way of example, to mix two chemicals to make anti-freeze. Given the very high standards of quality and environment safety there are formalized procedures for the production of such mixtures. The mixing of products usually takes place on small assembly lines where filling is largely automatic and where employees only have to place the cans on the assembly line, attach the right tanks, and supervise the filling. Control is here almost exclusively volume control, which means that the cans are weighed to decide if the right quantity is filled into them.

The making of development products takes place, in the initial stage, in close cooperation between customer, salesman, and laboratory. Once the product is specified, however, the production department takes over, and from then on the production process follows the same pattern as the ordinary products.

There have been plans for a long time to automatize the whole production process, but at MEKI they await the approval of headquarter before they can invest in a new plant.

MEKI has its own tank lorries to distribute the filled and/or finished goods, but uses external carriers, too. Till now MEKI has not calculated precisely the alternative costs by using external carriers instead of their own tank lorries.

Environment

The most important competitors of MEKI are Danish. Chemicals is not a fashionable word. The growing consciousness of the natural environment has resulted in many customers beginning to focus more on the possibility of recycling chemicals. Thus it is no secret that the sale of chemicals shows a downward trend. New competitors in the market are therefore niche producers, for the most part, who, unlike MEKI, cannot supply customers with a wide and diversified assortment of products and cannot offer storing, filling, and distribution at the same time.

As a producer of raw materials MEKI's prices are driven down by its customers. Producing raw materials also means that the company is very sensitive to fluctuations; lately it has been influenced by the crisis in Asia.

The environment protection laws are important to MEKI, but in MEKI they are not themselves active in following changes in legislation, because the headquarter usually notifies them about this (that is one of the advantages of the large network).

Within agency sale, direct sale, and storehouse sale, the parameters of competition are the ability to deliver the goods with precision, and of course price and quality. Only for development sale does MEKI supply a service to the customer that can be directly measured, and so it is primarily this group of customers that feel a real attachment to MEKI.

Being a subsidiary, the internal environment is of importance to MEKI. Headquarter is in charge of practically all sales, yet two salesmen are employed by MEKI and work exclusively for MEKI. Together with the orders procured by these two salesmen, headquarters communicates once a week, by way of intranet, how many products are to be delivered, and to whom. MEKI is itself involved in the sales effort only for development products. As a rule, the plant manager, Kurt Olesen, is in direct charge of development sale, as MEKI's own salesmen are not quite confident about the concept of development products in order to directly sell them.

One of the present goals of the concern is to strengthen the cooperation between its Scandinavian subsidiaries. At MEKI they do not know, as yet, the plans headquarters may have for their plant. Because of the wide scope of production facilities and the great storage capacity that can be easily transformed to storage of new products, they expect to continue to play an important role. One of the likely results of the Scandinavian concept would be that the individual subsidiaries are to specialize to a higher degree. MEKI is still waiting to hear what their specialized field will be.

Climate

Most of the staff feels happy and satisfied by being employed by MEKI. They have confidence in the judgement of management and willingly comply. They do what they are told to and feel good about it. At the same time they are ready for changes, provided management will spell out the consequences in a proper way.

Almost the whole staff actively follows the considerations of a strategic nature in the concern, the only frustration on the part of the staff and the middle line being a feeling that their many ideas and suggestions do not have sufficient strategic effect.

Kurt Olesen shares this frustration, however, as he is himself convinced that MEKI has the potential to play a leading part within the chemicals division, provided they get the chance to exploit their strengths and get the chance to communicate their visions to the headquarter.

At any rate no one is in doubt that MEKI possesses the material resources, and to some degree also the necessary human resources, to secure a good strategic position compared to internal and as well as external competitors.

Questions for Consideration

1. Are there strategic misfits?
2. How would you remove those?
3. What is the recommended organizational structure?