

Part Project 4

Redesigning Business Processes for Healthlite Yogurt Company

Teaching Objectives

- To understand the benefits of redesigning a company's business processes for sales, marketing, and order processing.
- To recognize the connection between competitive advantage and business process reengineering.
- To relate existing business processes and systems to management, organization, and technology factors and to business problems and challenges.
- To understand how to create a management plan for improving business and system processes.
- To recognize the elements of a sound management plan: objectives, time-frame, major milestones, assessments or costs and benefits of plan implementation.
- To identify the major changes in business processes required to achieve a plan.
- To identify the major new technology components of a plan that are required to support the new business process.
- To create a sample data entry screen or report for a new system.
- To describe the steps to be taken to handle the conversion from the old system to a new system.

Teaching Suggestions

Healthlite Yogurt Company (HYC) offers a wide variety of yogurt, as well as other related health products. Their company's continually changing products compete with other companies' products for shelf space and sales. HYC has been struggling lately to deal with the competition because of the "old school" methods of performing day-to-day tasks and activities. HYC is badly in need of a Business Process Reengineering (BPR) phase.

Currently, HYC's employees perform every business task by either passing paper, or calling each other on the telephone. As with "standard" traditional business processes, there are usually traditional company structures that backup those processes. This is the case with HYC. HYC's structure contains a Corporate HQ (CHQ), distributed processing plants, distributed sales regions, and a centralized marketing group.

The connectivity and networking HYC uses is almost as traditional as their structure. At the top of their system is the Central Mainframe Computer (CMF) at the CHQ (contains most major business DB's), then minicomputers in each processing plant connected to the CMF, and then regional office terminals linked to the CMF for sales representatives to come in and use when needed. This old-fashioned way of computer information communication leads to a lot of poor business processes that the HYC Organization uses. By not utilizing e-business, the Internet and wireless communications, HYC uses enough paper to deplete a rainforest of its trees.

Customer Credit Verification (CCV) is currently completed at CHQ where customer master files are maintained and order verification (or rejection) is determined, causing slower response times for orders. After verification or rejection is determined, the data is processed centrally and order data are then fed to the appropriate local processing plant minicomputer. Sales agents can then view the information by retrieving the data stored on assigned customer accounts using a regional office terminal linked to the CMF. Sales reports and other sales, marketing, and advertising information are printed and manually mailed by the regional offices to sales representatives. Communication and data transmission is usually done by way of "snail-mail" or by sales representatives calling managers to communicate the information. Sometimes sales data is received up-to-date by phone calls from managers to subordinates and then the information is pieced together. Information about sales, advertising expenses, promotional campaigns,

and customer shelf space devoted to Healthlite products are maintained manually at the regional offices. The central computer contains only consolidated, company-wide files for customer account data and order and billing data. The other information about sales, advertising, and etc., are manual documents that must be communicated by phone or be mailed.

The use of slow business processes, and subsequent slow data communication has affected the orders for yogurt and the other health products. Sales representatives write up hard-copy tickets to place orders through the mail or by fax. Twenty workers at CHQ open, sort, and enter 500,000 ticket orders per week into the system. This information is transmitted daily from the CMF to a minicomputer at each of Healthlite's processing sites. This daily order specifies the total yogurt and yogurt demand for each processing center. The processing center then produces the amount and type of yogurt and related health products ordered and ships out the orders. Shipping managers at the processing centers assign the shipments to various transportation carriers, who deliver the product to receiving warehouses located in the regions. For each order a sales representatives must fill out two forms. Some sales reps have more than eighty customers.

Seeing the “ancient” paperwork style of business that HYC has been using, it is understandable why they are having trouble keeping up with “technology-ready” competitors and spending more than their budget allows. Management styles are partly to blame as well, because they have been based on a hierarchical level instead of a flat organizational structure. In order for this company to redeem itself and make it over the technology hurdle, it must revolutionize itself through 9 BPR phases.

First, management in the company must change to a flat line organization so that the chain of information and command is even. Stopping with the second, HYC will need a new order processing system. There are more details to be found at the new Healthlite Homepage (part of the solution) under Company Information and Solution Possibilities. If HYC will utilize these systems and new techniques they will find that their competitors are not as far ahead as it appears, and will soon be able to pass them by.



