



The BPTrends Process Redesign Methodology

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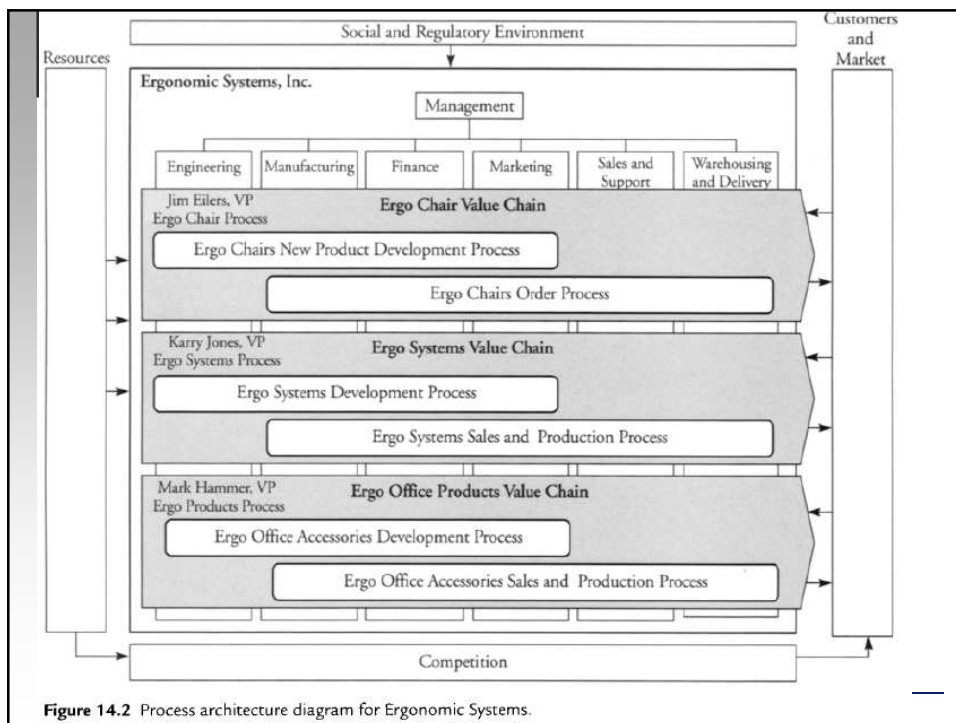
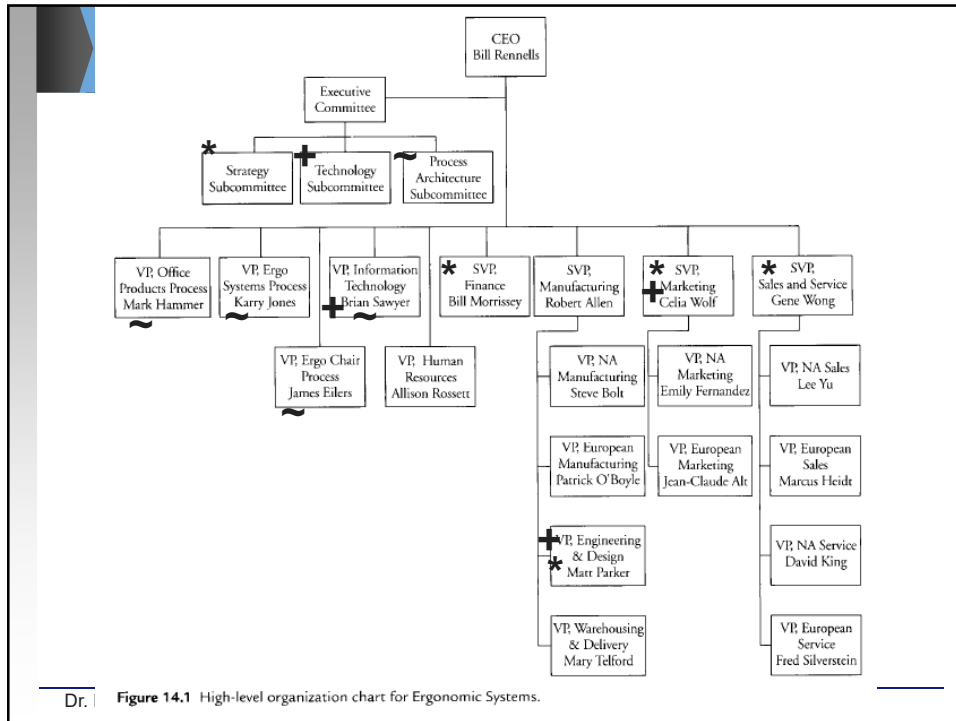
Business Process Reengineering

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Introduction

◆ Ergonomic Systems

- midsize company
- sales of approximately \$646 M\$ in 2000
- Built around a new design for executive office chairs for high-tech environments
 - more specialized lines of Ergo Chairs
- begun to sell "office environments"
 - modular units that can be assembled into work areas with features especially useful for workers who are using computers.
- sells a variety of other high-tech office products,
 - some desk lamps and several devices to hold and connect computer systems together and power them up or down with a single switch.



Organization Goals and Measures Worksheet				
For the Organization as a Whole				
Organization Goals	Measures	Desired Performance	Actual Performance	
Ergonomic Systems will sell the best-designed and manufactured office systems for high-tech environments. Our products will consistently command the best prices for high-tech office and industrial settings. We will maintain the highest profit margins in the industry. We will maintain modest growth.	Comparison of sale price of Ergo Chair and two closest competitors. After-tax return on net sales. Sales growth judged by BIFMA and EuroFMA.	Our products will sell for at least 5% more than competitive products. Our after-tax returns on net sales will exceed 10%. Our growth in chairs will be 3% NA and 5% Europe. Our growth in office systems will be 5% NA and 8% Europe.	Results, Fiscal Year 1999: Our products sold for 5.6% more than competitive products. Our profit margins were 12.4%. Our growth in chairs was 4.3% in North America and 4.7% in Europe. Our growth in office systems was 5.2% in North America and 9.3% in Europe.	
As Assigned to Specific Value Chains or Processes				
Value Chain	Assigned Goals	Measures	Desired Performance	Actual Performance
Ergo Chair Value	Best-designed chairs. Command best price. Maintain highest margins. Maintain growth goals.	Design reviews. Sale price comparisons. Profit margins. Sales growth.	Win design competitions, mentions in design press. Chairs will sell for at least 5% more than competitive products. Our profit margins will exceed 80%. Our growth in chairs will be 3% NA and 5% Europe.	New Ergo Conference Chair won gold star in Business Week design awards. Original Ergo Executive Chair added to SF MOMA design collection and given award. Results, Fiscal Year 1999: Our chairs sold for an average of 6.8% more than competitive chairs. Our profit margins were 89%. Our growth in chairs was 4.3% in North America and 4.7% in Europe.
Office System Value				
Office Products Value Chain				

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Figure 14.3 Existing Ergonomic Systems goals and measures worksheet.

An E-Business Strategy

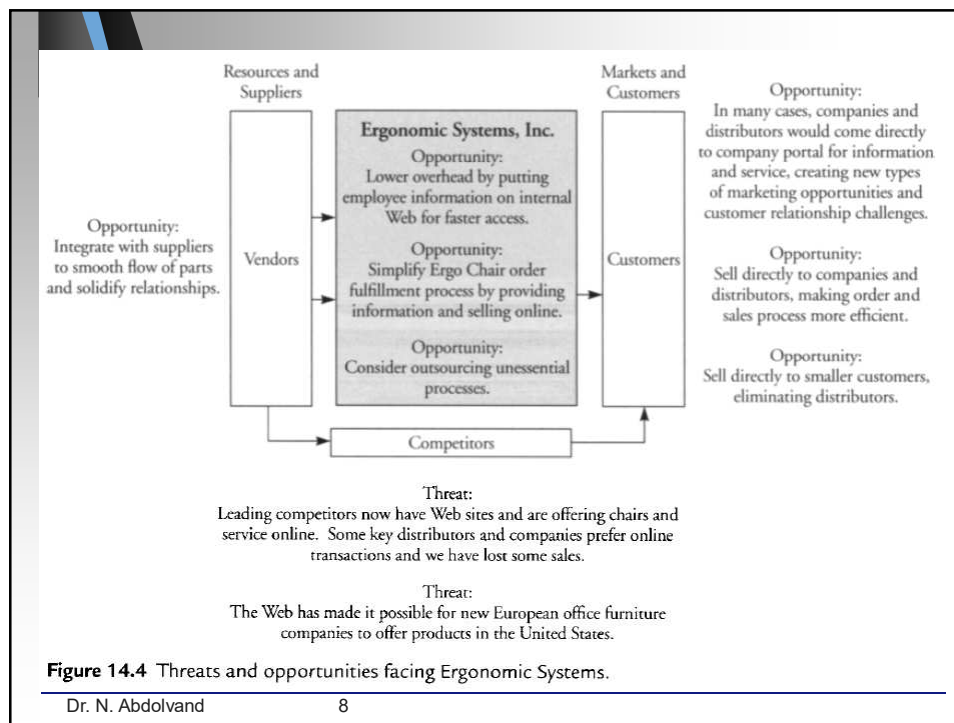
- ◆ sales through distributors and targeted ads in high-tech magazines
- ◆ Their leading customers were companies that rapidly adopted new computer technologies and were willing to buy expensive systems online
- ◆ In 1999 the Ergonomic strategy committee proposed that Ergonomic Systems make a major effort to transition to an e-business company.
- ◆ how the Internet can help us implement our overall business strategy.
- ◆ In 2000, Key distributors had begun to tell Ergonomic Systems that they wanted to buy and obtain information online

The Joint Subcommittee's Review of E-Business

- ◆ reviewing the company's existing goals
 - focus on the quality producer
- ◆ The Internet and associated technologies would enable the company to better implement its existing strategy
 - better service to some customers
 - improving the coordination of internal process a
 - developing tighter and more efficient relationships with suppliers
- ◆ Targets
 - An increase in growth from current target of 3% to 4%.
 - A decrease in sales order cycle time by an average of 3 days
 - selling 25% of their chairs via the Internet

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Organization Opportunities and Threats Worksheet				
Supersystem	Opportunities	Problems/Threats	Action Required	Value Chains or Processes Involved
Customers, Distributors, and Markets	B2C: Improve support to customers that want to use Web and email. B2C: Acquire new customers that will buy online. B2C: Reduce costs of providing support to customers by using email and putting support materials online.	B2C: Losing customers by not providing online access. B2C: Reduce costs of providing support to customers by using email and putting support materials online. B2C: What do we do about shipping single chairs to individuals or small companies? B2C: How much will it cost to produce single chairs on demand?	Major revision of Ergo Chair Value Chain/Order Process to incorporate a Customer Portal or Web site.	Ergo Chair Value Chain/Order Process
Suppliers	B2B: Improve efficiency and smoothness of supply chain system by extending it to all suppliers (reduce inventory). B2B: Improve costs by eliminating existing EDI system. B2B: Make it possible to adjust more quickly to requests for small runs. B2B: Link in key suppliers with supply chain coupled with a more efficient, automatic payment system.	B2B: How do we convert all suppliers to a common set of standards to describe parts?	Major revision of Ergo Chair Value Chain/Order Process/Manufacturing Subprocess to incorporate a Supply Chain System that links Ergonomic Systems to all first and second tier suppliers.	Ergo Chair Value Chain/Order Process

Figure 14.5 Opportunities and threats worksheet for Ergonomic Systems.

Redesign & Improvements

- ◆ create a portal
- ◆ create a new supply chain system
- ◆ examine their Ergo Chair value chain
- ◆ create an internal employee Web site

Phase 1: Understand the Redesign of the Order Process Project

- ◆ Hiring Facilitator from outside
- ◆ The understanding phase took 3 weeks.
- ◆ The process sponsor and the facilitator reviewed the value chain diagram

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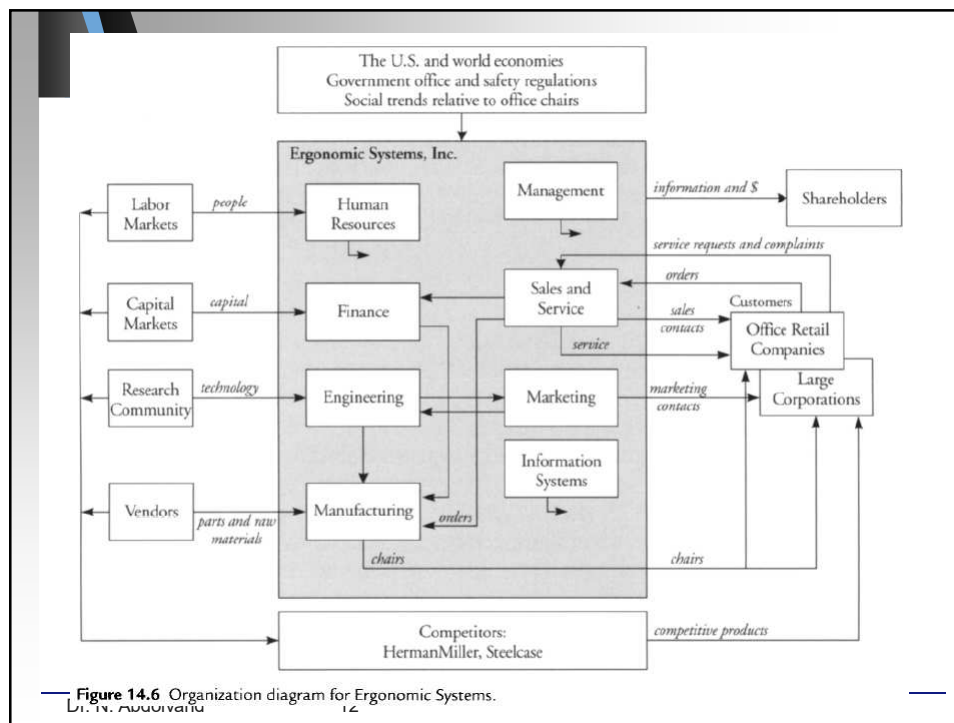


Figure 14.6 Organization diagram for Ergonomic Systems.

Phase 1: Understand the Redesign of the Order Process Project

- ◆ Establishing redesign team
 - Individuals from each department

- ◆ developed a plan that reviewed the goals of the project and established a schedule that would result in a redesigned process in just under 3 months.

Phase 2: Analyzing the Order Fulfillment Process

- ◆ Facilitator interviewed each of the process redesign team members to see how they would describe the process and what kinds of problems they would identify
- ◆ Using others to gain a broader understanding of the process

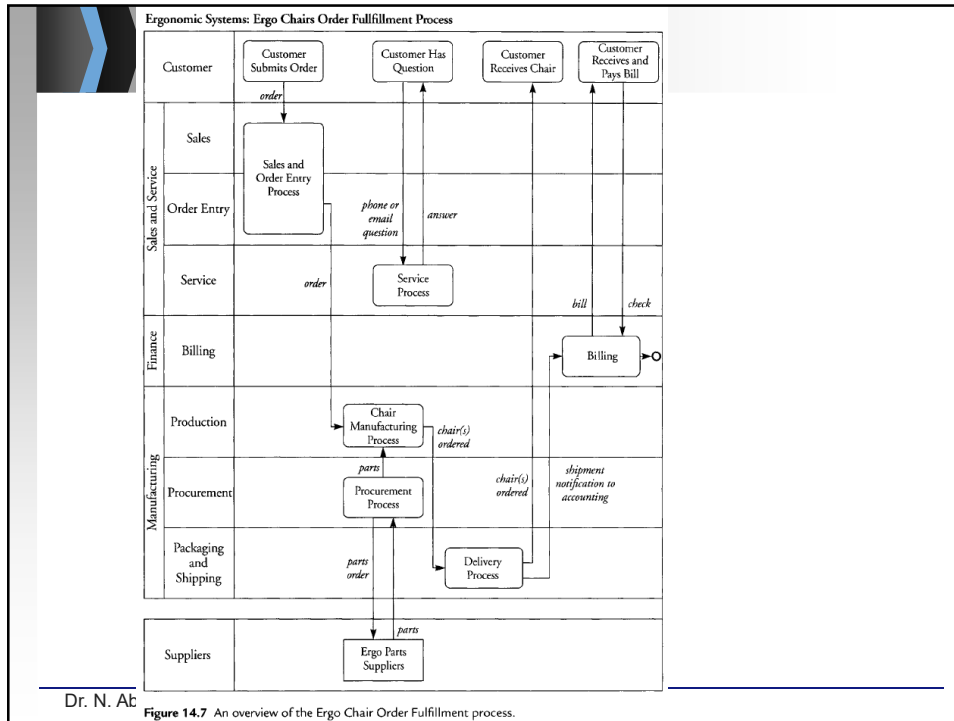
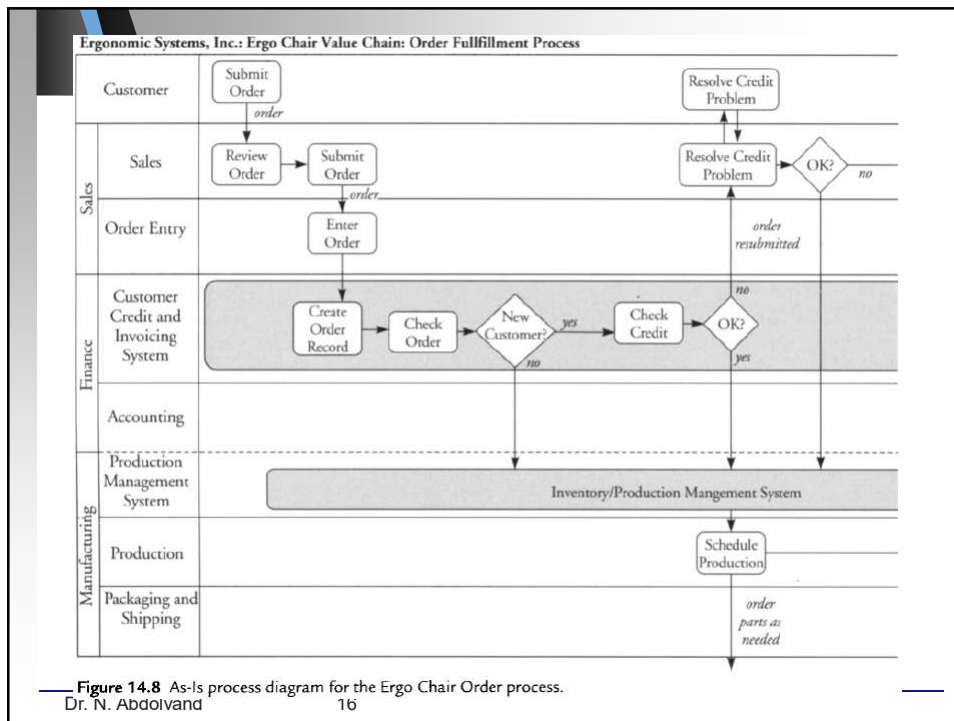


Figure 14.7 An overview of the Ergo Chair Order Fulfillment process.

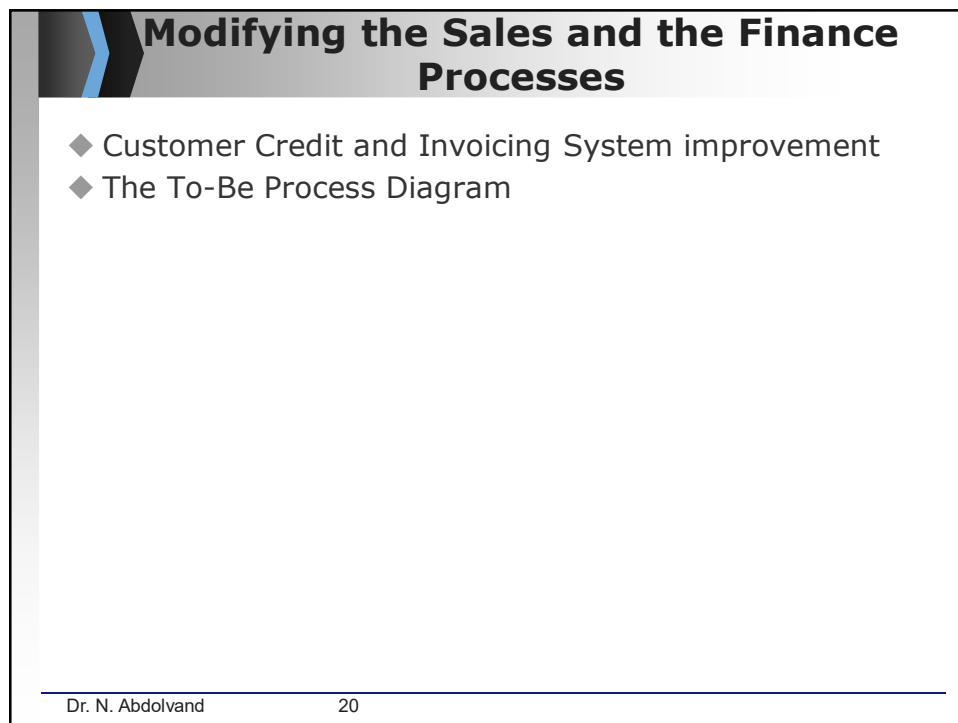
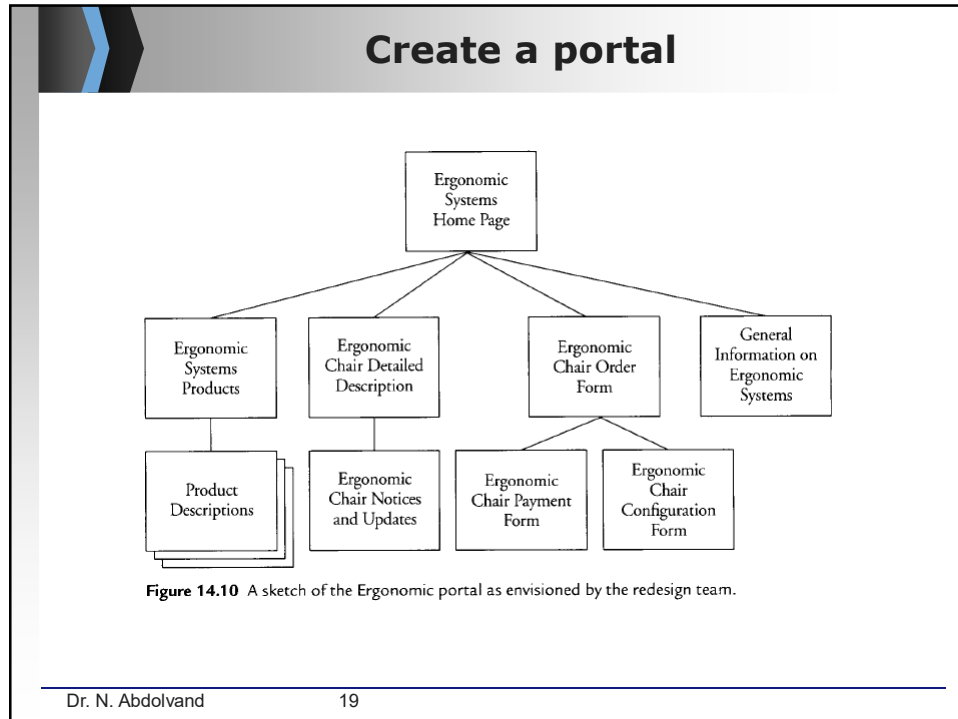


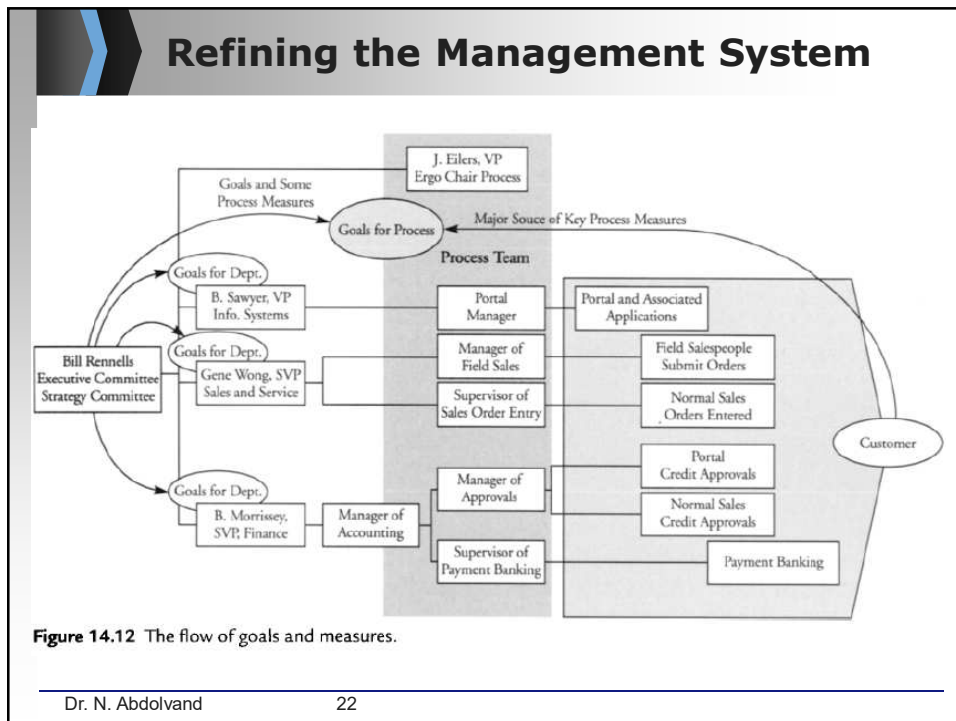
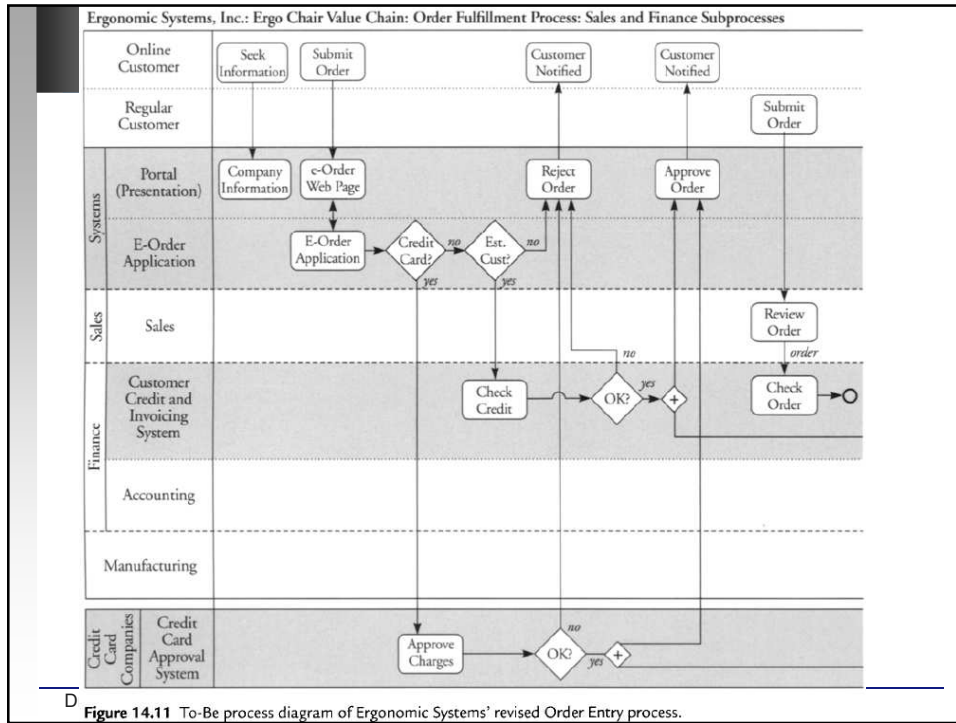
Process Analysis and Improvement Worksheet							
Process or Activity: Ergo Chair Order Process						(AS-IS or) TO-BE	
Process or Activity Outputs	Desired Performance (Measures)	Actual Performance	Gap (If Any)	Impact of Gap	Cause of Gap	Organization Improvement Action	Activities Which Influences Gap
Salespeople take too long to submit orders.	All orders submitted on day they are signed.	10% submitted 1 day late; 2% submitted more than 2 days late.	12% not submitted on day order obtained.	Order delivery delayed; customer dissatisfaction.	Salespeople too busy. Managers don't stress importance. Delays due to location of salespeople.		
Order details misentered by entry clerks.	All orders entered as submitted by salespeople.	5% misentered.	5% misentered.	Customer dissatisfaction, service calls, delays.	Entry clerk inattention. Nature of transcription process.		
Process measures stress wrong things.	All process measures should be related to value chain and company goals.			Frustration on part of senior managers and employees.	Need to align measures used by managers with corporate goals.		

[Figure 14.9 As-Is process analysis and improvement worksheet for Order Entry.

Phase 3" Redesigning the New Order Process

- ◆ divide changes into
 - (1) nice to do and
 - (2) Necessary
- ◆ all changes made in 6 months

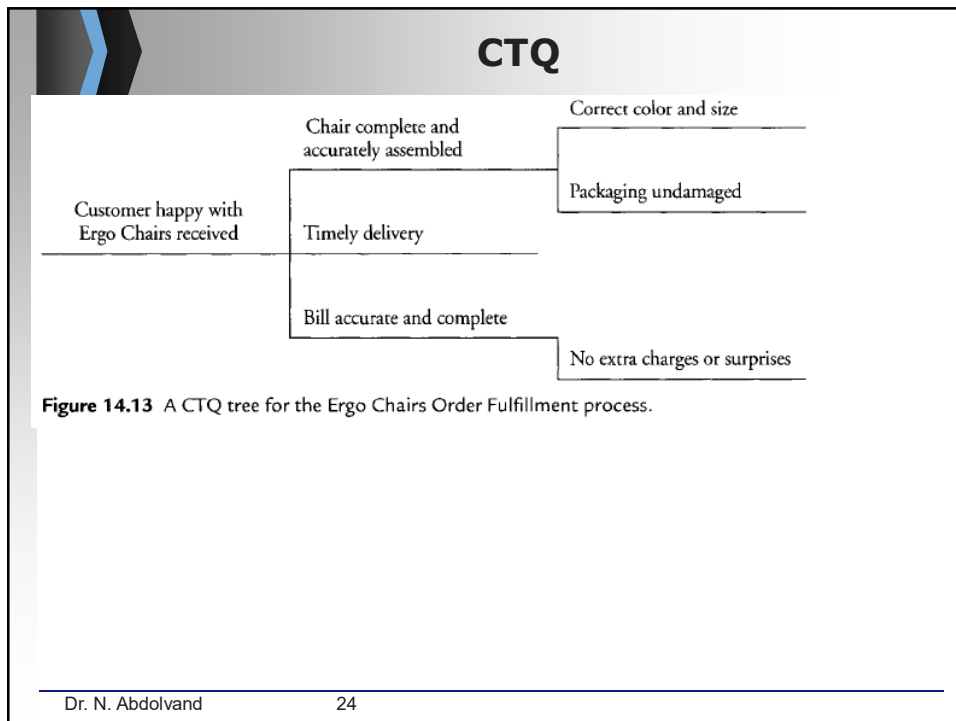


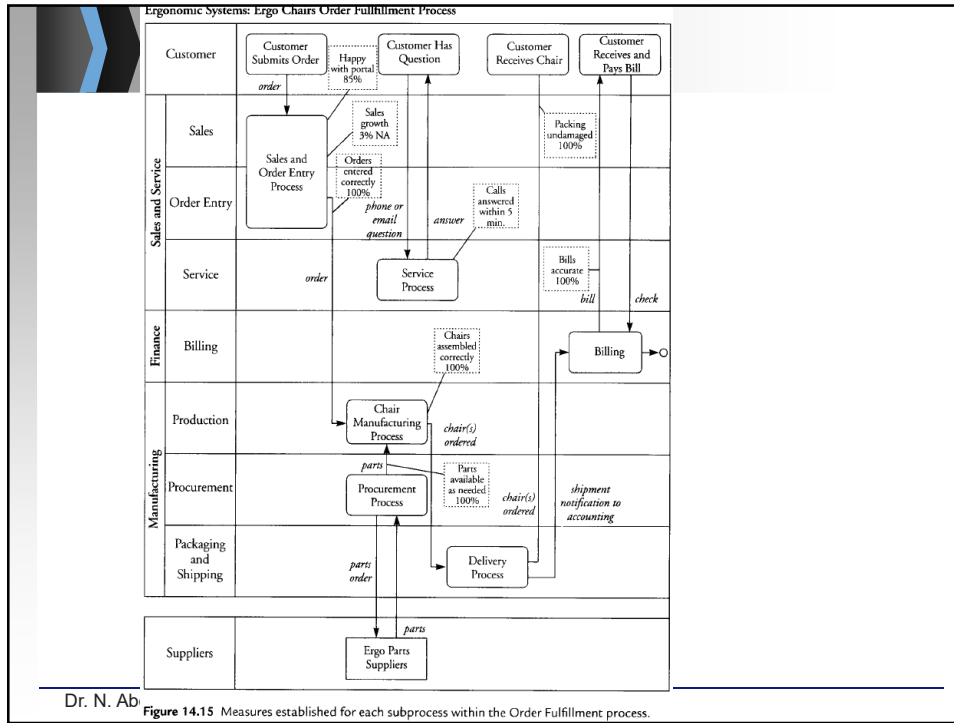


From Goals to Measures

Goals	Measures	Desired Performance
1. Best-designed chairs	Design reviews	Win design competitions and mentions in design press
2. Command best price	Sale price comparisons	Chairs will sell for at least 5% more than competitive products
3. Maintain highest margins	After-tax returns on net sales	After-tax return on net sales exceeds 10%
4. Maintain growth goals	Sales growth	Growth in chairs will be 3% NA, 5% Europe

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Process/Function Role/Responsibility Worksheet							
Function: <i>Sales and Service</i>		Process: <i>Ergo Chair Order Process</i>					
Process	Subprocesses	Activity, Job, System Responsibilities, and Goals					
		Role: <i>Field Sales Manager—NA</i>		Role: <i>Order Entry Supervisor</i>		Role: <i>Sales Support Manager</i>	
		Activity or Step	Goals	Activity or Step	Goals	Activity or Step	Goals
Sales and Order Entry	Sales and Order Entry	Sales	3% Growth in NA	Order entry	Entered on day received. Entered 100% correctly.		
Service Process						Service calls answered.	Calls answered within 3 minutes.
						Service call follow-up.	Any promised materials mailed within 24 hours. Other material mailed within 3 business days.

Figure 14.16 Process/function role/responsibility worksheet.

Phase 4: Implement Redesigned Business Process

- ◆ **A major part of the effort involved the information technology (IT) department,**
- ◆ Teams of senior managers from various departmental groups were assigned the responsibility for meeting with credit card companies, parts vendors, and UPS to work out contracts for the new relationships that Ergonomic Systems proposed to enter into with them.
- ◆ Human resources was assigned the task of modifying or developing new job descriptions where jobs had changed and developing new compensation and incentive plans to accomplish some of the specific changes required by the new design.

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Phase 5: Roll-out the New Order Process

- ◆ **Success Factors**
 - *First, we don't undertake a project unless we have a steering team and a process sponsor.*
 - *Second, we don't undertake a problem without a clear statement of the scope of the project.*
 - *Third, we don't believe that process redesign should be undertaken separate from management system development*
 - *Fourth, we don't believe that process redesign should be undertaken separate from the people who must implement it.*

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