

# Taco bell: reengineering

[Business](#), [Company](#)



|| [pic] || Taco Bell- A Reengineering Success Story | | A Reengineering Success Story | | | | | Contents 1. About Taco Bell3 2. The Problem Starts3 3. Reengineering to the Rescue3 4. The After Effects6 About Taco Bell The franchise, Taco Bell is an eatery that needs no introduction. Taco Bell Corp. based in Irvine, California is a subsidiary of Yum! Brands, Inc. , and the United States' leading Mexican style quick-service restaurant. Taco Bell serves tacos, burritos signature Quesadillas, grilled stuff burritos, nachos, and other specialty items such as the Crunchwrap Supreme, in addition to a wide variety of Big Bell Value Menu items.

Taco Bell serves more than 2 billion consumers each year in the more than 5, 800 restaurants in the US. In 2005, Taco Bell generated sales of \$1. 8 billion in company restaurants and \$4. 4 billion in franchise restaurants. More than 80% of their restaurants are owned and operated by independent franchisees. There are currently more than 278 restaurants operating in Canada, Guam, Aruba, Dominican Republic, Chile, Costa Rica, Guatemala, Puerto Rico, Ecuador, Asia, Europe and the Philippines. The Problem Starts In 1983, analysis showed that the Taco Bell's total cumulative growth since 1978 was a shocking negative 16% compared to a positive 6% of the total industry.

This prompted the management to pinpoint immediately what was going wrong and where. This led them to identify the following factors: • Lack of business vision for the company • Reliance on obsolete management and operational practices, which focused more upon the processes rather than the customers themselves • Top-down structure with multiple levels of management • Following traditional approaches, which assumed what

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customers wanted without even asking them. All the above factors were resulting in slower and costlier service. Having identified some of the key areas that needed improvement, Taco Bell started reengineering itself out of troubled waters.

The more they listened, the more they found out that what customers wanted was very simple- good food, served fast and hot, in a clean environment and at a price they could afford. Reengineering to the Rescue

The old system of operations at Taco Bell was based upon traditional operational practices, which were grossly insufficient for the economic and business climate of the 21st Century. This entire set-up was based upon certain assumptions, which include the following:

- Assuming that the restaurant knew what the customer wanted without even asking them. This led them to falsely believe that the customer wanted fancier decor, broader menus, outdoor playground etc. , instead of quality food at affordable prices. Investing in large kitchen areas, which in some instances covered over 70% of the total area in the mistaken belief that it would improve customer satisfaction
- Operating the restaurant along the lines of a manufacturing company rather than a retail outlet. Doing away with this concept led to the development of novel ideas like K-Minus and TACO.
- Believing that the only segment they could target was the one within the restaurant's premises. This translated into \$78 million, whereas outside the restaurant, the total market came to about \$600 billion in the USA alone.
- Limiting themselves to the goal of becoming a value leader in the quick-service restaurant industry rather than the value leader for all foods for all occasions.

Reengineering the setup at Taco Bell involved several steps, including:

- Complete reorganization of human resources
- Dramatic redesign of operational systems
- Doing away with entire levels of management
- Creation of jobs like “ market manager”
- Replacing area supervisors with market managers and reducing their numbers
- Eliminating district managers and promoting restaurant managers
- Reduction in the costs of everything about the business except the cost of the food and its packaging

The management process was completely and dramatically reengineered- three layers were eliminated, including the entire “ district manager” supervisory level. Every job in the system was redefined.

Restaurant managers were given greater latitude to run their own businesses, and ultimately became “ Restaurant General Managers. ” In short, Taco Bell followed only one rule during the entire process of reengineering- “ Enhance those things that bring value to the customer and change or eliminate those that don’t. ” With this motto their corporate vision became clearer, “ We want to be number one in the share of stomach[1]. ” This was a vision of the company becoming a leader in the restaurant business and not just the Mexican food business was articulated. They also changed their restaurant structure by:

- Limiting kitchen area from 70% to 30%
- Increasing the customer area from 30% to 70%
- Doubling the seating capacity in the area available

Additionally, reengineering led Taco Bell to introduce two new methodologies, namely K-Minus and TACO (Total Automation of Company Operations). [pic] Figure 2 Taco Bell’s two new methodologies K-Minus

means kitchen less restaurant, based on the nature of the company. All of their food was cooked outside the restaurant in central locations. This stemmed from the concept that food should be retailed instead of manufactured. TACO (Total Automation of Company Operations) provides each restaurant with a Marketing Information System (MIS) and empowered the employees with computer know-how. It eliminated paper-work and allowed more time to be spent on customers. It helped keep track of sales minute by minute.

Such programs served as agents of change for more innovative ideas such as new and varied points of distribution (like street corners and concessions stands) etc. This case study brings forth the following conclusions:

Reengineering businesses is very much a reality and is not limited to the confines of a textbook. If done properly, it can virtually turn around any business; be it consumer goods (Kodak), restaurants (Taco Bell) or financial institutions (IBM Credit). The customer must be the starting point for all reengineering methods, concepts, ideas and processes. Resistance to change must be anticipated and appropriate steps must be taken to deal with it. Every company that seeks to be reengineered should seek a motto that makes its corporate vision clear, like that of Taco Bell.

The After Effects These changes have had a huge impact on the company. Taco Bell went from a failing regional Mexican -American fast food chain with \$500 million in sales in 1982, to a \$3 billion national company 10 years later, with a goal to expand further to \$20 billion. While the environment was not a factor in Taco Bell's reengineering, it has benefited through the

reengineering process. For example the TACO program (Total Automation of Company Operations) provides sophisticated MIS technology for all employees, saving thousands of hours of paperwork -- and thus paper -- as well as promoting self-sufficiency and reducing time spent on administration.

The K-Minus program, or kitchenless restaurant, established a system where the large majority of food preparation occurs at central commissaries rather than in the restaurant, pushing 15 hours of work a day out of the restaurant, improving quality control and employee morale, reducing employee accidents and injuries, and resulting in substantial savings on utilities. The K-Minus program saves Taco Bell about \$7 million a year. ----- [1]

The company introduced a new performance measurement called "the total share of stomach." Instead of measuring success as market share of the fast-food market, Taco Bell set the goal of becoming the value leader for all foods for all meal occasions. That created a broader vision and stimulated the development of new innovations.