

Bpr at ford motor company, india



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CHALLENGE: need for business process reengineering in Ford Motor

Company Ford Motor Company is the world's second largest manufacturer of cars and trucks with products sold in more than 200 markets.

The company employs nearly 400, 000 people worldwide, and has grown to offer consumers eight of the world's most recognizable automotive brands.

CHALLENGE With inherent large-scale growth issues, more demanding customers, and mounting cost pressures, Ford needed to transform from a linear, top-down bureaucratic business model to an Internet ready, nimble organization that engages and integrates customers, suppliers, and employees. **SOLUTION** Working with Cisco, Ford integrated and leveraged their supplier base by designing Covisint, an end-to-end infrastructure that enables an online, centralized marketplace connecting the automotive industry supply chain. Ford also enhanced the customer buying experience through redesigned and more user friendly Web sites.

RESULTS Ford is enjoying an increase in customer satisfaction, sees huge revenue opportunities for developing and retaining loyal product advocates, and has taken both complexity and cost out of the supply chain. **BUSINESS**

PROCESS REENGINEERING Business process reengineering (BPR) is a management approach aiming at improvements by means of elevating efficiency and effectiveness of the processes that exist within and across organizations. The key to BPR is for organizations to look at their business processes from a "clean slate" perspective and determine how they can best construct these processes to improve how they conduct business.

Michael Hammer, the management expert who initiated the reengineering movement, defines reengineering as "the fundamental rethinking and

redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed.

It uses many of the tools just discussed to achieve these goals. It is a redesign and reorganization of business activities that results from questioning the status quo. It seeks to fulfill specific objectives and can lead to breakthrough improvement. It is often associated with significant cultural and technological changes. Methodology of reengineering

1. Envision new processes

2. Secure management support
3. Identify reengineering opportunities
4. Identify enabling technologies
5. Align with corporate strategy

1. Initiating change
2. Set up reengineering team
3. Outline performance goals
4. Process diagnosis
5. Describe existing processes
6. Uncover pathologies in existing processes

1. Process redesign
2. Develop alternative process scenarios
3. Develop new process design
4. Design HR architecture
5. Select IT platform
6. Develop overall blueprint and gather feedback

1. Reconstruction
2. Develop/install IT solution
3. Establish process changes

1. Process monitoring
2. Performance measurement, including time, quality, cost, IT performance

Link to continuous improvement In the early 1980s, when the American automotive industry was in a depression, Ford's top management put accounts payable- along with many other departments- under the

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microscope in search of ways to cut costs. Accounts payable in North America alone employed more than 500 people. Ford was enthusiastic about its plan to tighten accounts payable- until it looked at Mazda. While Ford was aspiring to a 400-person department, Mazda's accounts payable organization consisted of a total of 5 people. The difference in absolute numbers was astounding, and even after adjusting for Mazda's smaller size, Ford figured that its accounts payable organization was five times the size it should be.

The Ford team knew better than to attribute the discrepancy to calisthenics, company songs, or low interest rates. THE EXISTING SYSTEM First, managers analyzed the existing system. When Ford's purchasing department wrote a purchasers order, it sent a copy of the receiving document to accounts payable. Meanwhile, the vendor sent an invoice to accounts payable. It was up to accounts payable, then, to match the purchase order against the receiving document and the invoice.

If they matched, the department issued payment. The department spent most of its time on mismatches, instances where the purchase order, receiving document, and invoice disagreed. In these cases, an accounts payable clerk would investigate the discrepancy, hold up payment, generate document, and all in gum up the works. THE PROCESS FLOW CHART It was slow and cumbersome.

More than 500 accounts payable clerks matched purchase orders, receiving documents and invoices and then issued payment. Mismatches were common. SYSTEM DRAWBACKS: The drawback in this system was that ford's accounts payable organization was performed by so many people. The

department spent most of its time on mismatches, instances where the purchase order, receiving document, and invoice disagreed. In these cases, an accounts payable clerk would investigate the discrepancy, hold up payment, generate document, and all in gum up the works.

Its process was not efficient. SUGGESTED IMPROVEMENT The management thought that by rationalizing processes and installing new computer systems, it could reduce the head counts. One way to improve things might have been to help the accounts payable clerk investigate more efficiently, but a better choice was to prevent the mismatches in the first place. To this end, Ford instituted “ invoiceless processing. ” Now when the purchasing department initiates an order, it enters the information into an on-line database. It doesn’t send a copy of the purchase order to anyone.

When the goods arrive at the receiving dock, the receiving clerk checks the database to see if they correspond to an outstanding purchase order. If so, he or she accepts them and enters the transaction into the computer system. (If receiving can’t find a database entry for the received goods, it simply returns the order.) Under the old procedures, the accounting department had to match 14 data items between the receipt record, the purchase order, and the invoice before it could issue payment to the vendor. The new approach requires matching only three items- part number, unit of measure, and supplier code- between the purchase order and the receipt record.

The matching is done automatically, and the computer prepares the check, which accounts payable sends to the vendor. There are no invoices to worry

about since Ford has asked its vendors not to send them. Ford didn't settle for the modest increases it first envisioned. It opted for radical change- and achieved improvement.

FORD REENGINEERED THE PROCESS. NOW ITS FAST AND EFFICIENTThe new process cuts head count in accounts payable by 75%, eliminates invoices and improves accuracy. Matching is computerized. CONCLUSION: Ford discovered that reengineering only the accounts payable department was futile. The appropriate focus of the effort was what might be called the goods acquisition process, which included purchasing and receiving as well as accounts payable. When Ford reengineering its payables, receiving clerks on the dock had to learn to use computer terminals to check shipments, and they had to make decisions about whether to accept the goods.

Purchasing agents also had to assume new responsibilities-like making sure the purchase orders they entered into the databases had the correct information about where to send the check. Attitudes towards vendors also had to change: vendors could no longer be seen as adversaries; they had to become partners in a shared business process. Vendors too had to adjust. In many cases, invoices formed the basis of their accounting systems. At one ford supplier adapted by continuing to print invoices, but instead of sending them to Ford threw them away, reconciling cash received against invoices never sent.