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Sirs,

We consider it a pleasure to respond to your request about our that are Zero-Based Budgeting program. The ZBB effort helped our company prioritize our funding levels and, more importantly, expanded the participation in many of our lower-level managers in the determination of funding levels.

A brief word about our company might be beneficial in establishing the environment that the ZBB concept was introduced. Because of the flatness in births over recent years, our food divisions are not expanding as rapidly as in prior years. About 10 years ago, we began an extensive diversification program into non-food endeavors. During this time, we have been able to maintain record earnings each year, the country allies that are administrative activities have greatly expanded and were needed evaluation. The ZBB approach allowed us to make an in-depth review of our to administrative activities and determine the funding levels we would require with this new and diversified organizational structure.

As with most firms, we also have developed areas of duplicate activities, out-of-date programs, areas functioning at less than optimum efficiency, etc. for the most part, these situations were brought on by our expansion into other types of businesses in the non-foods category. In addition, many areas in the food division had been doing things for many years ahead not been asked to evaluate their operations in light of the changing nature of the company and many events made in administrative efficiencies. We did not need, nor won, teasing across the board "meat ax" to approach for the reducing our expense levels. The ZBB effort gave estimate mechanism to identify low priority activities as outlined by our managers. We then developed a plan of action to review an adjuster administrative areas do better meet the needs of the firm.

The current status of the mechanics of the elements of our annual administrative expense plan (Planning Process) is that we're using what we call a "Target-Based Budgeting" concept. Management identifies areas of concern prior to the planning cycle. The managers in these areas are then asked to prepare decision packages and prioritize their levels of activity for management review. All other areas are giving guidelines to their funding levels are asked to outline additional funding over their current operations. This approach has streamlined the documentation of our Planning Process but still out an in-depth management review where appropriate.

Listed below are answers to your specific questions:

OUR FEELING ABOUT ZBB AND HOW THE CONCEPT HELPED US

1. We think the most important feature the ZBB program was that it expanded manager participation in funding levels decisions. The decision packages priority ranking proved to been effective vehicle for managers to discuss below all of activities and, more importantly, the results of the activities that management expected from their people. While in a reduction programs are status unpleasant, we feel

the concept provided a logical approach that was understood and supported by our first-line managers.

2. A feature that we use to evaluate the ranking sheets in decision packages was to establish a Task Force to assist top management in their evaluation of our administrative activities. The Task Force was made up of: Vice President of Marketing, Treasurer, Director of Research and Development, Group Executive for Manufacturing Services-NonFoods Division, Manager of Operational Analysis-Food Division, and myself as Profit Planning Manager. This group represented a cross-section of our line and administrative disciplines who reviewed all of the ranking sheets and read many of the decision packages. Upon completion of this review, we prepared a corporate ranking sheet for management. This corporate ranking sheet (16 pages) was used by management to determine funding levels. It also became the vehicle to implement the plan of action that consolidated and streamlined many of our administrative activities. As mentioned above, we did not have a "crash program". Many of the changes in our funding of programs were made immediately. However, most changes that affect our staffing have been done on an attrition basis. This has been a process for several years.
3. Another feature of the Zero-Based programming at Gerber is that the Task Force communicated the results of the ZBB effort to all managers at all locations of the firm. This review was done right after the funding level was determined. This communication of the results of our ZBB effort was an important step in expanding participation in our Planning Process. In addition, managers were asked to respond to the task force about our Planning Process and suggestions to improve the mechanics of our methods to determine funding levels. Many of the innovations in the planning process were initiated with these manager interviews.

CONSULTANTS HANDLING OF THE ENGAGEMENT

1. Alan Austin was recommended to us by the American Management Association. He conducted a preliminary interview with us and presented a seminar on Zero-Based budgeting for 120 of our managers in our administrative areas. If Alan did an excellent job of explaining the mechanics of Zero-Based budgeting in any sessions but, more importantly, his explanation of the process and examples he gave of its use with other organizations resulted in most of our managers not feeling threatened or afraid of this type of evaluation.
2. I personally benefited from my association with Alan and that he has encouraged us to strive for excellence in our Planning Process. He has given us many suggestions and ideas and had to improve our approach to planning has only shown interest in our firm. I was able to attend an AMA seminar that was conducted by Alan called, "PLANNING: AN ENTERPRISING APPROACH". The main message of the seminar was that planners and managers should be created. As a result of our association with Alan and ZBB, and later with my experience with him in the seminar, I feel our entire Planning Processes become more responsive to our managers' needs. We can identify areas that should receive attention and, with the help of the ZBB concept, have a technique available for us to use to implement any adjustments.

SIZE AND NATURE OF THE UNITS

The ZBB concept was implemented for entire corporate staff and administrators support departments and in some of the subsidiaries. The seminar that Alan conducted to introduce the concept was for 120 managers and affected approximately 700 people.

TIME AND LENGTH OF THE IMPLEMENTATION

1. To our fiscal year begins on April 1, and we normally begin our Planning Process in November.
2. The program that we installed with Alan started in October with the seminar. Managers prepare decision packages and ranking sheets during December in January. The planning staff is available as internal consultants to assist managers where necessary.

3. Priority ranking sheets were submitted to the ZBB Task Force to January 31.
4. The ZBB Task Force reviewed in prepared a corporate ranking sheet for Executive management for evaluation by February 15.
5. The final corporate ranking sheets and funding level for determined by March 15.

SPECIFIC PROBLEMS

The last problems that many of our managers have our almost a contradiction to the strengths at a mentioned earlier. First, managers felt the isolation of activities in the various levels of service and then having to prioritize the decision packages was a threat to the departments and that possible reductions and/or budget cuts would occur. The positive feature of ZBB is that it expanded participation of many managers in the determination of funding wells. This expanded participation has been the basis to start a Productivity and Quality of Work Life program. We recently have initiated investigation into Quality Circles.

Second, the documentation of the various goals for the activities being performed was very time-consuming. The positive feature this documentation was that managers evaluated in prioritized their activities for management evaluation. The results of this documentation is that we have not had to use any across-the-board budget reduction techniques. We feel our changes in administrative activities and funding levels are understood and within general agreements of managers.

CONCLUSION

We feel the ZBB effort was meaningful to our firm because it expanded participation of our managers in a process, addressed possible funding level adjustments a logical meaningful manner, and initiated a more created an innovative approach to evaluate our administrative activities in the expense levels. The ZBB concept has resulted in the streamlined program that we now call “target-based budgeting”. Specific areas of management concern are thoroughly evaluated for other areas we only spend the minimum time for mechanics of the budgeting program.

I would be interested in the results of your evaluation to use the ZBB concept in which you well under planning endeavors.

Sincerely yours,

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