

Chapter XX

Nazar Foods Company: Business Process Redesign Under Supply Chain Management Context

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EXECUTIVE SUMMARY

Nazar Group of Companies has been a leading producer and distributor of cookies, crackers, cakes, chocolate, and other products in Turkey for more than 40 years. This case is about the group's management roles in transforming the companies into a more consumer-focused orientation using supply chain management philosophy as a strategic framework. Descriptions of supporting business systems were summarized along with the challenges and problems facing managers in effective utilization of these systems in practice.

ORGANIZATIONAL BACKGROUND

Nazar Cookies Company (NCC) was founded in 1961 by an entrepreneur who had seen a business opportunity in providing new cookie varieties for Turkish consumers. Having graduated from a European university with a management degree, he was expected to manage the family business of flour milling. After a short stay in

his father's business, however, he decided to go on his own way with a clear vision of bringing new tastes to Turkish consumers at the highest possible quality. He also decided to establish his company in his hometown, which is a strategically located central Anatolian city that already had considerable industrial activity.

After a year of intensive work both in product and process development, NCC could begin production in 1962 with a capacity of three tons per day of a few varieties of products that already existed in the market. Since NCC was essentially a production-focused company, and since there had not been any other marketing companies to work with, the products were sold in bulk (4-5 kg boxes) to individual merchants at the factory door, who would then distribute them to retail shops in their own territories.

During the first few years, workers, foremen, engineers, and the owner were all working together very closely and with high motivation toward getting a share in the market, which was dominated by three major players, all of which were located in Istanbul, the heart of trade in Turkey. In addition to his quick learning ability, the owner/president was very successful in transferring a few critical people from competitors and bringing know-how through his European friends and their networks.

The company established the first semi-automatic production line in Turkey in 1967. NCC grew rapidly by the addition of new production lines and new brands. In 1971, NCC became a family-owned company under the trade name of Nazar Food Company (NFC). In 1975, together with its major competitor today, NFC successfully employed the packaging machines, which were able to produce individually wrapped portions in its process lines. This led these two companies to differentiate their products and earn strong consumer acceptance in the marketplace. Also, in the same year, management decided to lease a computer from IBM to handle personnel files and payroll, which marked itself in history as the first private organization using a computer in Turkey. In 1979, a machinery company (Nazar Machinery Company) was established in the city industrial zone to produce special bakery machines both for Nazar companies and others. Also, during that time, the accounting activities were fully computerized.

As NFC was about to become the market leader in 1980 with sales reaching 39,400 tons, the country experienced its strongest social unrest, which created unfortunate problems with worker unions. The operations had suffered for almost a year, during which the two companies faced grave financial problems. In 1981, the president decided to establish a new production company (Bonjuu Food Company) in the industrial zone and a new marketing company (Nazar Marketing Company) in the city, both with the minor partnership of a big industrial conglomerate.

Until 1990, the Nazar Group of Companies experienced stagnation. Computerization reached operational levels in each company. The marketing company

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