

Post Graduate Diploma in Management, Batch 2013-15
Introduction to ERP
DM-102

Trimester – I, End-Term Examination: September 2013

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Section-A

Marks: 3*5=15

1. What are enterprise applications?
2. Explain a Typical Procurement cycle. How does an ERP system support such a cycle?
3. What are the typical fields in customer master field? Explain partner functions.
4. What is a material type and which material types do you know?
5. Elaborate the symbols used in constructing DFDs. Give basic rules for constructing a DFD.

Section-B

Marks: 2*10=20

6. Write short notes on:
 - a. Free-on board
 - b. Payment terms
 - c. Prioritization of ISs
 - d. Broad view of Three Tier Architecture
7. Discuss the concept of Strategic Analysis? What is the relevance of strategic analysis in analysing need for ERP systems? Illustrate.
8. How BPR and ERP projects are related? How much BPR should be done in an ERP project?

Section-C

Marks : 15

Case Study

Blaming ERP [Problematic ERP Implementation]

(Adapted from Andrew Osterland, CFO Magazine January 01, 2000)

For the past three years, Hershey, Pennsylvania, had four different teams of consultants working on a massive enterprise resource planning (ERP) software system from SAP AG and two other software vendors that would put the company's operations on one integrated

computing platform. The \$115 million system would replace scores of legacy systems that were currently running everything from inventory to order processing to human resources. They were three months behind schedule, and itching to flip the switch on the project. It would all go live simultaneously across the enterprise with one big bang. Big bang? Big flop.

By mid-September, the company was still trying to fix glitches in its order-processing and shipping functions. During the busiest season of the year, big customers like WalMart and Kmart were loading up on extra Halloween candy from competitors like Mars and Nestlé, while Hershey warehouses piled up with undelivered Kisses, Twizzlers, and peanut-butter cups. The upshot: third-quarter sales dropped by a staggering 12.4 percent compared with last year, and earnings were off 18.6 percent. A week after Hershey's disappointment, Whirlpool, a leading manufacturer of household appliances, announced similar though less severe problems with its SAP implementation. In fact, the two companies are just the latest additions to a long list of companies that includes Dow Chemical, Boeing, Dell Computer, Apple Computer, and Waste Management that have struggled in varying degrees with ERP projects. What's going on here? Since 1992, when market leader SAP introduced R/3, the first client/server-based ERP system, thousands of companies worldwide have implemented the software. Many have been successful, but none has been without problems. Indeed, since at least 1996, SAP and the others have worked vigorously to respond to customer complaints about complexity and difficulty of implementation. But horror stories about SAP implementations (and, to a lesser extent, competing products like those from PeopleSoft, Oracle, Baan, and J.D. Edwards) persist. Like most companies with snarled ERP projects, Hershey hasn't offered many details. But outsiders point to two notable errors the company made.

The first involves timing. When installing a famously complex product like SAP's R/3, the busiest season of the year is not the time to take the system live. Snags always arise, and it's far easier to iron them out during less busy periods of the year. But if Hershey had gone live in April, as originally planned (the company did not disclose reasons for the delay), at least it would have had more time to fix problems before the rush of transactions from the busy fall season.

Second, Hershey attempted to do too much at once. Installing SAP's R/3 software is complicated enough. Throw in a customer-relations management program from Siebel Systems and a logistics package from Manugistics, and the project becomes dangerously complex.

Make sure an ERP system is right for your company. SAP was designed for manufacturing companies with predictable, similar ways of doing business. It is not particularly adept at handling front-end, customer-related operations. Before embarking on an ERP project, senior managers should assess whether they can — and want — to standardize business processes around one common template. Understand the implications of customizing the software. However tempting it may be to preserve specific business processes by altering the software code, customization almost always means trouble. "Modify the code as a last resort," suggests SAP America's CEO, Kevin McKay. "You don't want to go there, because it hurts performance" — particularly when companies seek to upgrade their systems. When ERP vendors add new functionalities to their product, they usually involve changes to the database and to the data-entry screens. Any new data or fields that have been added to the software code could be wiped out or altered by upgrades. The testing and retesting of customized elements can provide expensive headaches for years to come. "Don't change the code," says ADC's Switz. Change the business process instead.

Develop performance measures for the system. Many senior executives have been dismayed at the apparent lack of cost savings they achieve by implementing ERP systems. "We thought the benefits [of the ERP system] would just naturally happen, but they don't," he says. Spaulding developed 28 key performance indicators (kpi), including inventory turns and accounts receivable days outstanding, as well as 100 secondary indicators, to help

assess the effectiveness of the R/3 implementation at Halliburton. He and other members of a "value delivery group" — separate from the R/3 project team — monitored these indicators and focused on improving them. Control your costs. Everyone needs help for an ERP implementation. It's a question of how much. Put a cap on expenses and review budgets.

Control your internal politics. You can't deal with the turmoil involved in ERP implementations easily. Department heads are sure to present excellent reasons why the new system won't work on their turf.

CEOs and CFOs have to visibly support and monitor the progress of the project. What's striking is that till this date, many companies don't follow the simple remedial measures before it is too late.

1. Why failures occurred while implementing ERP?
2. What measures do you suggest for successful implementation?
3. If the firm did not want to go 'Implementing all departments at the same time' what order of module implementations do you prescribe ?