

**PGDM (RM), 2015-17  
ERP FOR MANAGERS  
RM-501**

**Trimester – V, End-Term Examination: December 2016**

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**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		<b>Total Marks</b>	<b>50</b>

**SECTION-A**

**Answer any 3 out of 5 (Short Questions) – 5 Marks each**

**QUESTION-A1** – In Material Management what is Electronic Ordering and Stockless Purchasing?

**QUESTION-A2** – Describe in brief, the application of SDLC approach to the development of ERP system in an organization?

**QUESTION-A3** – Describe the difference between push-based supply models and pull-based supply models.

**QUESTION-A4** – Explain the bull-whip effect on a supply chain and how it can be avoided?

**QUESTION-A5** – Explain different types of CRM systems.

**SECTION-B**

**Answer any 2 out of 3 (Long Questions) – 10 Marks each**

**QUESTION-B1** – Do you think Business Process Reengineering is a pre-requisite for the implementation of ERP system? Why?

**QUESTION-B2** – What are various cloud computing services? Explain

**QUESTION-B3** – Explain different Procurement methods for ordering material. Discuss some of the new developments in this area.

*Turn Over...*

**SECTION-C**  
**Case study – 15 Marks**

At first glance, Enterprise Resource Planning systems seem to be the silver bullet for every company's problems. In one fell swoop, implementation of an ERP system offers a company the chance to re-engineer business processes, coordinate the systems of geographically dispersed locations, consolidate data, and empower users by giving them access to all the company's data in real time. Of course, these opportunities come at a high price in terms of financial cost, implementation nightmares, and human issues. Often these implementations fail miserably as they run behind schedule and over budget; other times they are successful. Regardless of the outcome, each ERP implementation holds valuable lessons to be learned for companies considering their own ERP implementation.

ERP was part of the vision Nestle USA Chairman and CEO Joe Weller referred to as "One Nestle" that would be responsible for "transforming the separate brands into one highly integrated company". Prior to the implementation, Nestle USA had nine different general ledgers and 28 points of customer entry. The goal of the ERP project was to bring these numbers down to one. One of the most interesting views on the Nestle USA problem is the story of vanilla. Prior to the ERP implementation, Nestle USA did not act as one company. Instead, each location acted on its own behalf and was free to make its own business decisions. "In 1997, a team examining the various systems across the company found, among many others troubling redundancies, that Nestle USA's brands were paying 29 different prices for vanilla – to the same vendor".

For most businesses there needs to be a middle-of-the-road approach where individuals realize that the software will not solve every organizational problem and not every process in the company can be re-engineered to fit the software. Regardless, savvy project leaders with prior ERP implementation experience will tell you that there are several pitfalls to avoid during ERP projects. The first is not to select an ERP package based on a demo. Choose your package wisely, ask questions, get references, and do your homework. An ERP package is a costly investment and you need to be sure you are choosing the package that best fits the needs of your organization. The second is get management commitment. Not securing top management buy-in results in an automatic project failure. Management commitment is often high at the beginning of a project but begins to wane as the project wears on. It is vital to keep management interested, involved, and positioned squarely behind the project. The third is to avoid heavy customization. It is both easy and tempting to customize ERP packages to fit your exact needs. Unfortunately excessive customization will haunt you by lengthening the project timeline and by driving up maintenance costs in the future. The final pitfall to avoid in ERP implementations is not to underestimate the importance of training. It is not uncommon that users receive several days of training on the new system and then do not see the system again for months. Users need in-depth and on-going training and should even be involved with system testing if at all possible.

Throughout the implementation, Nestle USA made several large mistakes that almost doomed the project. When the project began a team of 50 top executives and 10 senior IT professionals was assembled to develop a set of best practices for all Nestle USA divisions. The goal was to develop these best practices for all functions of the organization. Each function from manufacturing to sales would eventually be forced to retire their old approaches and adopt the new best practice that had been developed. Concurrently, a technical team was charged with the task of implementing a common data structure across the company. By the time the implementation began in 1999 Nestle already had problems with its employees' acceptance of the system.

Most of the resistance met by the project team was traced back to the fact that "none of the groups that were going to be directly affected by the new processes and systems were represented on the key stakeholder's team". This was only the start of Nestle USA's problems. By early 2000, the implementation had turned into a disaster. Employees did not understand how to use the new system and did not understand the new work processes they were being forced to adopt. Divisional executives were just as confused as their employees as they had been left out of the planning and development of the new system and were less than willing to assist in straightening out the mess that had developed. The result of this was that morale plummeted and turnover skyrocketed. In fact, "turnover among the employees who forecast demand for Nestle products reached 77 percent".

Nestle USA's implementation problems did not stop with employee issues. Technical difficulties began to emerge as well during the rollout. In the rush to beat the Y2K deadline the project team had overlooked the integration points between the modules. This meant that the different modules could not talk to each other. So if a salesperson gave a discount to a customer and entered it in the system, the accounts receivable portion of the system did not know of the discount. The result was that the customer would pay their bill but invoice appeared as though it were only partially paid.

With SAP in place, common databases and business processes lead to more trustworthy demand forecasts for the various Nestle products. Furthermore, because all of Nestle USA is using the same data, Nestle can forecast down to the distribution center level". In addition to saving money, Nestle USA has also been able to come together as one organization. The problem of 29 different brands of vanilla has been solved and now with common databases each factory refers to vanilla in the same manner. They also use common processes that simplify operating procedures and allow for the centralization of functions such as developing training procedures. Training no longer needs to be customized for each factory.

Nestle UK experienced similar successes with their ERP implementation. Most importantly, the ERP implementation at Nestle UK helped to foster a "culture of continuous improvement". "Improvement priorities are clear: first, the internal opportunities; second, business-to-business; and third, business to consumer".

The first lesson that can be learned from the Nestle USA scenario is that in order for an ERP implementation to be successful the right individuals need to be involved in the process from the beginning. It is simply impossible to redesign work processes without involving some of the people that actually do the work. Another lesson that can be gleaned from the Nestle USA case is that an ERP implementation is not the project that companies should attempt to force into a specific timeline. With the future of the company on the timeline, it is important to completely define the business goals of the project and then create a timeline that will accomplish those goals. A third recommendation for companies considering an ERP implementation is to place a large focus on training. Training is one of the key elements of any ERP implementation because without it employees that will be using the system and the new business processes on a day-to-day basis will not be prepared to do so. Fourth, organizations should spend time evaluating the business process re-engineering that will be done in conjunction with an ERP implementation. Caution should be exercised during this phase as re-engineering processes just for the sake of re-engineer the process is often not necessarily a wise business decision. ERP implementations do offer a great opportunity to re-engineer processes but great care should be taken when selecting which processes are actually modified.

**Questions: 3 X 5 Marks = 15 Marks**

**Question C1-** What problems were faced by Nestle before the implementation of ERP?

**Question C2-** Identify the ERP implementation methodology used by Nestle and what best Practices would you recommend to companies looking for ERP implementation?

**Question C3-** What are the reasons of improper implementation of ERP in Nestle?