

Degree in Management

Integrated Operations Management

ERP Systems

Case study

JHB - A Non-traditional ERP Implementation

2013/2014

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The Company and the Problem

JHB is a 3rd generation family owned nature products company with multiple plants located in three states. The company owners realized that some core issues had to be addressed and solved if the business was to gain a competitive advantage in the market. They needed to solve both strategic and operational issues. These issues focused around the need for better, more rapid and dependable information.

Over the course of time, the JHB remote operations had become very independent in their procedures. There was a significant communication gap between the corporate headquarters and the remote plants. In fact, so much information was moving between plants by facsimile that daily operations were dependent on the speed of the FAX machines.

The company's operating results were not getting to local and headquarters management on time. The headquarters staff reporting was confusing, and the metrics used were developed at each remote site and not distributed throughout the company. Different product costing procedures existed for the manufacturing, marketing, and financial reporting. There was no agreement within the company whether certain products or long-term contracts were profitable.

There was also a need to control rapidly fluctuating material purchase costs and to reduce a significant increase in raw material and finished goods inventories. The primary goal, however, was the need to give all levels of management immediate, rapid, and accurate views of financial and operating information.

JHB brought in a capable executive management team to help solve these problems and achieve their goals. One of the first actions was to terminate a long-term custom information system development project which had been underway for several years and had already cost the company over \$300,000.

They realized that the custom system, while promising to address the many unique needs of their operations, was not being built on a current technology platform and did not offer them the needed long-term flexibility to meet their ongoing business process changes.

The new management decided to see what alternatives existed in the ERP systems market that could fit their needs. They were looking for comprehensive functionality, ease of use, rapid implementation, affordable cost, and the ability to make custom system modifications to fit their unique industry. After investigating over 25 different vendors and reviewing 12 systems in detail, JHB chose LAMAR Software. Their decision was largely due to the complete Web architecture of the LAMAR Info.Net system.

Concerns about Implementation

The new management realized that they could not implement the new system using traditional methods. They had to set up non-standard implementation processes and schedules due to the "research and development" nature of defining new consolidated costing procedures, new operating metric reporting, and new collaborative IT procedures involving the company headquarters and the 4 plant facilities.

JHB set up an implementation team consisting of department managers and a selection of plant management personnel. They were focused on delivering a subset of the entire new system so that the company could see immediate results while establishing a base of valid new information, which would be useful and understood by the end users. This was not meant to be a "train the trainers" approach.

The training was primarily accomplished by using LAMAR Software's multimedia training materials and a series of on-site training sessions put on by LAMAR's training staff. The implementation team's main focus was to define new strategic and operating procedures and to develop new business metrics.

JHB management and the implementation team used the new system as an opportunity to define and codify costing, sales pricing, and order configuration processes that had only been done manually in the past. The team set up review points that allowed the end users to express opinions and make suggestions about the new system and the new procedures. As a result of these suggestions, an ongoing process of defining and prioritizing desired system modifications was put in place. JHB management was careful about authorizing these modifications. They did not want to wind up with a system that could not accept new development releases from LAMAR Software.

The company had used their previous information reporting systems and procedures for many years, and there was a significant resistance to change. The implementation team and company management had to convince the users and other management people of the validity of the new metrics and the effectiveness of the new procedures.

For example, a review of the long-term sales agreements using the new information showed that many of these contracts were simply not profitable. The JHB sales department was very dubious about those results. It took a series of detailed cost review meetings and step-by-step analysis to convince the company that this would be a beneficial change.

The actions taken as a result of the new information were also difficult. Many products had significant price increases, and many customers had their long-term agreements renegotiated. Some existing business was lost.

The Board of Directors of the company was very concerned about the temporary reduction in sales volume, until they began to see the reduced costs and overall increased profit. The new management was firm in their commitment to the new business model.

The times involved in the implementation project were very aggressive. The new system went live in a staged approach with Inventory Control, Engineering, and Financial Reporting implemented within three months. Production and Purchasing modules were implemented in 6 months, and Order Configuration, Billing, and Payables within 9 months.

What Were the Results?

JHB order fulfillment time was reduced by over 60%

JHB inventories were reduced more than 50%

JHB sales increased due to better costing, product availability, and production scheduling information

JHB increased their market share by over 10%

Numbers are not the only measure, however. During a recent visit to the company's headquarters, their Senior Vice President / CFO was amazed that he had been receiving calls from plant personnel with comments like "this is a really cool system!" These positive comments show that the company's business changes have been accepted, resulting in measurably better performance.

<http://www.lamarsoftware.com/erp/case2.html> em 2-Fev-2004.