CASE STUDY

SUCCESSFUL ERP SME IMPLEMENTATION: HI-MAK PVT. LTD., VADODARA

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ARTICLE INFO	ABSTRACT
	This case study analyzes the successful implementation of ERP by a local SME, Hi-Mak Pvt. Ltd. in Vadodara city of India. It outlines the need the company had to implement a new ERP. It summarizes the limitations of their previous ERP. It sheds light on the modules used in the ERP as well as the steps taken to successfully implement it and the challenges faced during implementation. Additionally, this report identifies the impact the ERP has had on the various operations of the company.

INTRODUCTION

In the early days, business used to happen with the help of cognitive processes. People used to remember how much sales they have made, how many products they still have in their inventory, and these thoughts as a record would last for a couple of days only, until it would vanish. Then came the era of recording keeping through books, which was a much efficient alternative. But as time passed by, the records would keep on increasing and managing such data manually started to be difficult. Imagine filtering data from 3 different books to find out which product was your best seller since the last 3 years. Hence, a better alternative was required. With development and time, computers started to be used for record keeping, and ERP was the interface to do so. It is the most efficient way so far, and takes seconds to sort data; especially for small-scale businesses like Hi-Mak. Pvt. Ltd.. Hi-Mak Pvt. Ltd., formerly known as Hi-Mak Process Controls specializes business of automation solution as an authorized system house of Siemens since in 1994. In the field of automation system integration, they have earned a reputation for total commitment to quality and excellence- which is reflected by more than 1500+ installations and over 250+ satisfied customers. Their clients include Siemens, Indian Oil and Reliance among many others.

ERP

ERP include a various modules supporting daily and routine business operations.

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Moreover, ERP provide much needed information for decision making at operational, and strategic levels. Due to comprehensive coverage different modules, ERP is very well satisfied needs of almost all the industries irrespective of scale and functional area. ERP has very important role to play in various business domain like inventory control, manufacturing scheduling and production, sales support, customer relationship management, financial and cost accounting, human resources. ERP provides an independent information system for coordination and consolidation of key commercial processes in the enterprise. Pieces of information scattered in various systems now can flow uniformly throughout the whole enterprise, and be shared in all organizational procedures, production, accounting, human resources and other areas. Separate Commercial processes of sales, production, finance and logistics can be united and flow in different organizational levels and functions. (Etemadi and Kazeminia, 2014). Although ERP system is largely used for transaction processing and generating various types of reports, but ERP also provides much needed data support for various other systems like Supply Chain Management (SCM) and Customer Relationship Management (CRM). Properly designed & implemented ERP solution can enhance organization's competitiveness by upgrading an organization's ability increase speed of business transaction and to generate timely & accurate information throughout the enterprise. A successful ERP system implementation can shorten production cycles, increases accuracy of demand for materials management & sourcing and leads to inventory reduction because of material management, etc. ERP system provides a number of advantages for firms to improve the organisation performance. Based on information perspective, ERP system adoption can

improve the interaction between the business functions and the information is more reachable. (Shang & Seddon, 200) For issues related to the interaction between firm with the customers and suppliers, such as product delivery and inventory control management, have less influence. (Sarkis & Sundarraj, 2003). ERP can be used as a primary tool for re-engineering. This re-engineering is much needed as with the advancement of time, technology is also advancing with fast pace. Tools & processes where not thought of in last decade are necessity of today's business. It has been found that, unique risks in ERP implementation arises due to tightly linked interdependencies of business processes, relational databases, and process reengineering (Singla, 2008) (Wright & Wright, 2002). To mitigate this risk, cultural change is required in an organization. ERP tightly integrate only those things which are the part of business process and they need to be religiously followed. Exception given on the name of flexibility can do disaster for an organization.

Need of New ERP Solution

The company previously used the Udyog ERP for 10 years. However, there were many limitations with Udyog ERP.

Department-wise log maintainance

Every department had to make and maintain their own logs. These logs are in different formats and so merging of these logs to get comprehensive picture of business was not possible.

Over dependency of application software

Udyog ERP was very primitive ERP and so utility software like Microsoft Word, Excel, Tally, etc were needed to make documents and financial analysis. Most of the times this causes problem or format mismatch among different departments.

Duplication & inconsistency in management reports

Different departments used different software to make their reports and there were many discrepancies and duplications when management read through these reports. So, comprehensive picture of business was not available with management.

No file upload facility

Many times data from internal system or from outside the business is received in csv or other transferable file formats. As file upload facility was not available, all these data is entered manually only, which is highly laborious, tedious, and result in entered data with many errors.

Difficulties merging these files

As all the different departments has its own file format, it becomes extremely to merge files from different departments. Due to these reasons, they decided to implement a new ERP that would cover these limitations.

Preimplementation Process

In early 2014, the CEO realizeed that they need to replace the legacy ERP system with new ERP system having more and required features. ERP system vendors such as SAP, Oracle and Microsoft will usually not deal with the individual customers. Instead they will channel the requests to their certified resellers. Such resellers typically market various ERP solutions and offer assistance in implementation, usually through their own consultants. Therefore, the CEO was quite sceptical to the promises from the resellers' sales people. A quick Google Search delivered a list of local vendors, resellers, and ERP Packages. An ERP Team was created which also included the CEO and the CFO. The ERP Team started surveying the list of vendors, resellers and ERP packages CEO had created. This went on until late 2014 and the list was narrowed down to five ERP Systems.

Representatives of these five systems were invited to the head office located in Vadodara for further assessment and the resellers demonstrated how the system would address the requirements of the company. The ERP Team was formed which involved people from various departments in the evaluation of system demos to make sure the system had the required functionality. The CEO was certain that the reseller's sales people knew better, but that they pushed the only system they were authorized to sell. It was determined that only two of the systems would be appropriate for further assessment. The company conducted demo with resellers and their consultants. The project team had gone thoroughly through the ERP packages, and they created assignments that the consultants were asked to solve. Both the resellers performed well in the demo. One of the consultants excelled particularly. The ERP team decided to hire the consultant and his company as the reseller. Hence, the company decided on Corporate Munim and order was released on 1st June 2016.

ERP Requirements Gathering

Requirement gathering was first challenging task for project team. Project team started interacting with employees of the organization. Employees provided relevant information about issues with existing ERP and what is expected from new ERP. Management and employees constantly communicated to ensure that they covered all requirements. The requirements were carefully documented by the implementation team and again verified with employees and management. This ensured that the requirements were widely accepted throughout the company and communicated well throughout the organization. Around 60% of the system is built as a direct result of the requirement gathering and the remaining 40% has high user customizability.

Team Building and Training

Finding the right ERP software solution is a difficult and resource-laden task for any company. It is even more difficult to implement it. The company took several steps to try and ensure this process would run smoothly. They met with the employees to help them understand the need for the new ERP, how it would benefit the company and what features the new ERP would have. In addition, they outlined how the ERP would affect them personally and how it could help them with their work. Meetings were held over 6 months, with at least one each month to explain the ERP. Corporate Munim people were also part of these meetings. The purpose of the meeting was to convince the employees of the benefits and also to help them be better prepared for the new ERP. Training is ongoing. It is being conducted by the management team and Corporate Munim. They still provide training 2-3 times a month. The Corporate Munim team also provided on-call support every day for the period of 6 months.

ERP Implementation

The company decided to go with the Big-Bang approach on 1st September 2016 for the implementation process as the ERP handles several modules of business. Following are the modules required by them in their ERP.

Sales and Marketing

Any company would want to have a good and fighting sales and marketing force to compete in the market. A comprehensive sales and marketing module help the company stay competitive and streamline their sales and marketing activities. Sales and marketing module allows activities which begin from contacting customers which are referred to as pre-sales activities to be recorded. The module allows tracking of each customer orders right from placing an order to dispatch of material for that particular order and customer. Automating the sales force activities such as a visit to customers, expenses, and competitor assessment is possible with the ERP sales and marketing module. An important part of this module is Customer Relationship Management (CRM). They specialize mostly in automation solutions, panel manufacturing, industrial reporting and automation training. They provide these services to many different clients and partners. Their CRM needs to be up to the mark. The new ERP is meant to handle this, especially in ensuring that there are not too many calls to the clients and ensuring deadlines are met. Target setting for marketing personnel allows managements to monitor target achievement by individual marketing personnel. This feature in the new ERP software enhances the working of the marketing department and ensures personnel are not working aimlessly. A good sales and marketing module also has features to track lost orders and identify the reasons for loosing those orders. Latest ERP software will associate marketing personnel to the company's business partners and allow them to track and monitor their performance. ERP sales and marketing module will allow the preparation of reports to track sales trends over different periods, drill down for the consolidated data, allow for sales forecast and give a bird's eye view of the sales and marketing activities of the company.

Planning and Budgeting

Planning and budgeting are some of the most important deals in an organization. For every small and big company, functions formulation must entail detailed plans and budgets for every activity. The process of planning and budgeting has become tiresome with manual operation and therefore, the company has sought an alternative solution to automate the whole process for effective functioning. The primary purpose of the ERP in terms of planning and budgeting is limiting expenditure, creating financial roadmaps and planning for growth. The company can use the new ERP to create business plans for the next 3-5 years. They can analyse trends and prepare growth estimates. They can use the new ERP to control their future and to develop their relations with their business partners.

Logistics and Inventory

As they offer many different types of services, the logistics of their company needs to be well managed. The ERP is a significant part of this management. The company runs a lot of different projects partnering with many companies and logistical management is one of the most important aspects of their company. Inventory module is used to track the stock.

Items are identified by unique serial numbers. Using the unique serial numbers inventory system can keep track of item and trace its current location in the company.

Accounting

Maintaining accurate records is important for any business. It can be a challenging process for a company like this one that has so many clients and partners. Accounting goes hand in hand with most other modules. The new ERP helps eliminate discrepancies in accounting, gathers financial data and generates reports such as ledgers, trail balance data, overall balance sheets and quarterly financial statements. They can also use the accounting module to track and analyze investments. The flow of money/capital in and out of the company is managed by the accounting module of the ERP. This module keeps track of all account related transactions like expenditures, balance sheets, account ledgers, budgeting, bank statements payment receipts, tax management etc. Any Financial data that is required for running the business is readily available.

HR Management

Along with Accounting, HR management is one of the most important aspects of a company. The HR module in the ERP ensures smooth management of the HR department. The HR module helps to manage employee information, track employee records like performance reviews, designations, job descriptions, skill matrix, time & attendance tracking. One of the important sub module in HR module is Payroll System which helps to manage salaries, payment repots etc. The HR module also includes the organizational structure, staffing schedules & job descriptions. It can also include Travel Expenses & Reimbursement tracking. Employee Training tracking can also be managed by ERP.

Impact and Challenges

It has not even been a year since the ERP was implemented so, it is hard to judge any long-term impacts of the ERP. There is also insufficient data available to track growth since the implementation. There were some challenges after the ERP was implemented. Employees were not adapting to the new ERP despite all the preparations undertaken by the company. Employees were still sticking to their old methods. They experienced many difficulties trying to change the mentality of their employees. They spent a significant amount of time and resources still trying to convince the employees. Over 90% of the employees are said to be satisfied with the new system. The remaining 10% took a significant amount of time adapting to the ERP with some still trying to adapt. Despite these difficulties, the ERP has been regarded as a success.

Conclusion

While it is too soon to say if the ERP system will be a success, early signs point to it being a success. The first year report is expected to be a positive one. With 90% of the staff said to be satisfied with the system, the company has done a good job convincing their employees of the uses of the system. The ERP system seems to have met most if not all of the requirements set forth by them.

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