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A CASE STUDY ON THE SUCCESSFUL ERP IMPLEMENTATION AT ONE OF THE BIGGEST MANUFACTURERS AND SUPPLIER OF RETREADING MATERIALS FOR TYRES IN INDIA
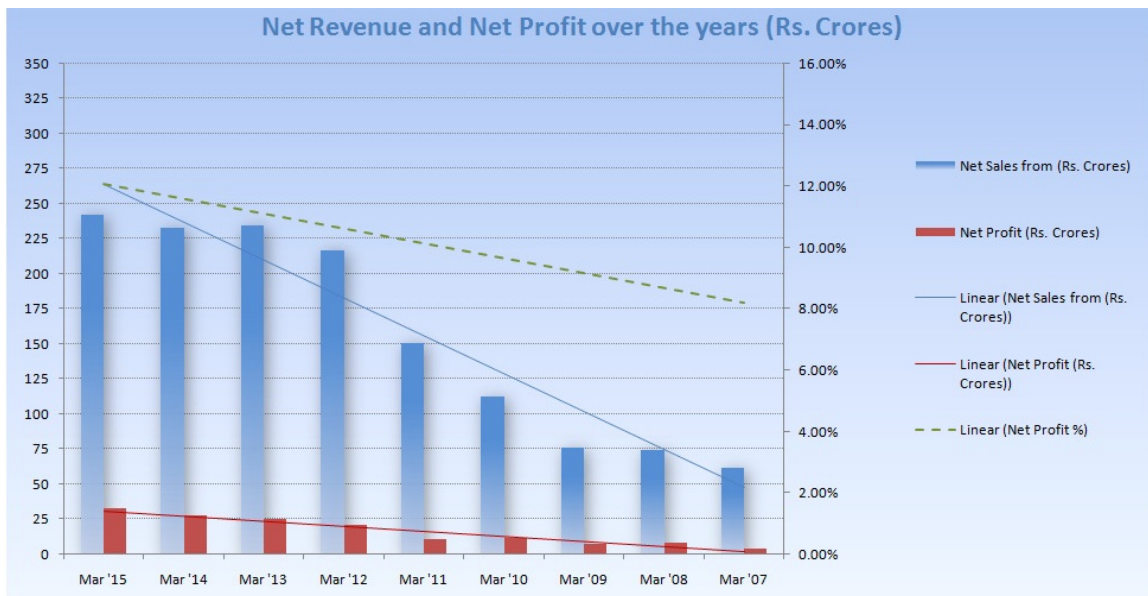
ERP implementation at one of the largest manufacturers and suppliers of retreading materials for tyres in India has proved to be a success story. The ERP has enabled the company to perform at the highest levels in the history of their business. The net revenue and net profit of the company has grown manifold since the ERP software was implemented. This case study covers in brief the various aspects of the implementation process.

Key facts

The ERP system at the manufacturer and supplier of retreading materials for tyres in India was declared to go live in 2008. A lot of resistance was faced from the users who were used to all the paperwork, but the management's decision prevailed. All paperwork was stopped and all staff was instructed to work completely on the ERP. Since then the company has never looked back and has steadily grown at rates higher than the industry average.

The image below shows the net revenue and the net profit of the client over the years. Starting in 2007, while the ERP implementation was going on, the company operated at less than 8% net profit margin. The company's turnover was around Rs. 650 millions.

Now, looking into 2015, the net revenue the company generated is over Rs. 2400 millions. That is almost 8 times the original turnover the company did just the year before the ERP implementation was completed.

Net Revenue and Net Profit over the years (Rs. Crores)

Similarly, the net profit percentage during the year 2007 was hovering around 8% while the same grew to more than 12%.

The success story

One of the largest manufacturers of tyres retreading materials in India now, was struggling to make profits around the mid of the 2000s. Now it is one of the leaders in the industry.

How did this exemplary turnaround story come about?

What were the factors that turned this company from a loss making entity to one whose stock is one of the hottest on the BSE?

This case study describes one of the factors that led to this turnaround of this company.

During the financial year 2007-08, the company was undergoing a massive change in its strategy towards information management. It had already embarked on the journey of ERP implementation. Many ERP products in the market were evaluated to fulfil the requirements of the company and its' management. There was no existing product that could be selected and could give the assurance of all the company's needs being fulfilled by it. So, the management decided to go for development of a customized ERP system as per the business needs of the company.

N D Microsystems Pvt. Ltd. (NDM) was chosen as the technical partner for development of the customized ERP solution. The idea was that the company will provide all the functional know-how and NDM will provide the technical expertise to fulfil those functional requirements through the ERP.

The onus of development, testing, and implementing the ERP system lied completely with NDM.

The functional experts were for sure available, but, their technical limitations made it completely impossible for NDM to sometimes take matters forward.

In such situations, the expertise of the NDM's management came to rescue and the tasks were anyhow completed to fulfil the requirements of the client.

The ERP system was divided into functional modules and developed in phases. Complete testing and training of users was carried out by NDM before declaring the modules as ready for deployment. Once all the departments were ready to go ahead, the ERP was declared to go live and all work was moved completely onto the software.

A great achievement for NDM

Although the top management of the client was in sync with what NDM staff was doing, there were lots of difficulties faced during the implementation process.

Difficulties faced

Unwilling staff
The staffs were used to working on their legacy system. They were used to working on a locally sourced accounting package and were completely dependent on spreadsheet software for storage of their crucial sales and inventory data. Having worked this way for years, they were unwilling to learn a new system and hence acted as roadblocks for the implementation process.

Large number of locations
The company has more than 30 sales offices, many inventory storage depots, and multiple manufacturing plants. This meant the resources of NDM would be stretched to the maximum.

Innovative means were devised to overcome this difficulty so as to implement the system in the stipulated time duration.

No precedent of successfully implementing ERP in this industry in the country

The tyres retreading industry in India was at a nascent stage during those days. There were no successful ERP implementations in this industry till then in the country. So, it was difficult to find precedent and use those learning during this implementation. Apart from that, the NDM staffs were also not acquainted with this industry. This meant, the technical staff of NDM had to undergo a steep learning curve as far as the functional aspects of the client's business were concerned.

Unclear requirements from the functional experts

Although the functional experts deputed by the management of the client for the ERP implementation were real experts in their fields of work and had years of experience doing the same activity, the functional requirements they presented to the technical team were many times incomprehensible. This posed huge difficulties for the technical team.

Factors that helped

Apart from the difficulties faced during the implementation process, there were lots of positive factors too that helped make this ERP implementation as success.

Support of the top management

The unquestioning support of the top management was the biggest factor that helped NDM in successfully implementing the ERP. Support in terms of quick decision making for procurement of hardware and connectivity services, hiring of additional resources for expediting, flexibility in timeline etc.

Although the list is short, the decisions that make this list could be make or break decisions for any ERP implementation.

Deep in-house functional expertise

This is one of the biggest factors for making a customized ERP a success story. The functional expertise was present in abundance within the organization and was made available on demand. This helped not only to make the development process efficient, but also keep the staff involved in the implementation process thereby making them owners of the process as well.

Incentives to employees

Employees who were part of the ERP implementation process and were cooperative received favourable reviews from NDM and thereby were noticed by the top management. These factors also helped them in their career later on in terms of promotions and special recognition during organizational meetings.

100% customized solution

As there was no precedent for a successful ERP implementation for this industry in the country, the ERP implementation process for this client was akin to painting on an empty canvas. As the requirements of the client became clearer, the development work progressed. There can be no better solution for a particular company than a solution developed specifically for it. That is the beauty of customized ERP software. It caters to your specific business requirements without having the bells and whistles of the globally renowned and highest selling ERP software.

Deep technical capabilities

The deep technical capabilities of NDM staff came in handy and compensated for the lack of IT expertise within the staff of the client. Functions like server management, database management, and translating the rough functional requirements into the architecture of the software are challenges that give nightmares to even the large corporations. NDM's staffs specialise in these areas and hence were able to undertake all that was required to make this a success story.

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Deepak is a seasoned professional with experience in various leadership roles across functions including service delivery, enterprise software implementation, consulting, product management, and production management. An alumnus of NIFT, New Delhi and S P Jain school of Global Management, Singapore – Dubai, his experience spans apparels and textiles, steel, and tyres industries. He has acquired deep understanding of the requirements of successful ERP implementations through his work in different industries and functions. During his MBA Deepak developed a model for comparison of the logistics systems of the GCC and ASEAN countries. He also helped one of the top three tyres manufacturers in the world to decide the best suited solutions for their logistics operations in the African and Middle East markets.

Company Profile: N D Microsystems Pvt. Ltd.

N.D. Microsystems is a global organization addressing the IT empowered business needs of small & medium sized enterprises. We understand the various business needs of these SMEs and our IT solutions are tailored to suit them.

We specialize in ERP systems for manufacturing and other rubber related industries. With 8 years of experience in this domain we understand the various business challenges faced by the current organizations. Our solutions address these problems in a simple yet effective manner.

Our focus is on managerial controls, reports and dashboards that create business value for an organization. We aim to ensure that the IT solutions are aligned to an organization's business strategy.

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