Tutorial 3
Enterprise Systems Architecture
Navigating SAP S/4HANA

Objectives:

- **Understand the effects of a well-designed architecture on ERP implementation.**
- **To acquire practical skills and competencies by navigating through the SAP user interface.**

Case Study: (~35 mins)

Based on the Nestlé case (Page 2 and 3):

1. Discuss the objective of ERP implementation at Nestlé USA. Did they achieve these objectives?
2. What problems were faced by Jeri Dunn, CIO, and what do you think would be the right systems architecture for Nestlé?
3. Discuss the benefits and limitations of ERP implementation at Nestlé USA.

CASE 3-1

Opening Case

Nestlé'S ERP Implementation

Source: Adapted from Worthen, B. (2002). Nestlé's ERP Odyssey. *CIO Magazine*. May 15; Aberdeen Group. (November 2005). Center-Led Procurement Organizing Resources and Technology for Sustained Supply Value; Weiss, T. (2002). Nestlé Shifts from HP to IBM in Data Center Pact. *Computerworld*, March 11.

Since market leader SAP introduced R3, the first ERP system with client–server architecture in 1992, thousands of companies worldwide have implemented this software. Many have been successful, but none has been without problems. Nestlé USA was one of them. Nestlé USA has seven business divisions: beverage, confections and snacks, food services, foreign trade, nutrition, prepared foods, and sales. Some of the popular brands sold in the United States by Nestlé are Alpo, Baby Ruth, Carnation Instant Breakfast, Coffee-Mate, Nescafé, Nestlé Carnation Baby Formulas, Nestlé Toll House, PowerBar, Stouffer's Lean Cuisine, SweeTarts, and Taster's Choice. Its annual revenue is around $8.1 billion with 16,000 employees.

The ERP implementation at Nestlé, code-named BEST (Business Excellence through Systems Technology), had an estimated cost of $210 million with an IT staff (including outside consultants) of 250, began in 1997, and was due to be completed in 2003. The project's main goal was to use common business processes, systems, and organizational structures across the autonomous divisions within the United States. These common systems across Nestlé USA would create savings through group buying power and facilitate data sharing between the subsidiaries.

Jeri Dunn, CIO of Nestlé USA, joined with executives in charge of finance, supply chain, distribution, and purchasing to form a key stakeholder's team for implementing the SAP. The stakeholder team made it clear to the top management that the SAP implementation would require business process reorganization and couldn't be done without changing the way Nestlé USA did business.

The stakeholder team, however, did not include any members from the groups that would be directly affected by the new business process. This caused a rebellion in the ranks and the employees resisted. Nobody wanted to learn the new way of doing things. Divisional executives were confused and angry. Morale sank and employee turnover reached 77 percent. Help desk calls reached 300 per day. The project team had overlooked the integration points between modules to account for the Y2K deadline. By the beginning of 2000, the rollout had collapsed into chaos and the project was halted. In its haste to unify the company's separate brands, the project team had essentially replaced divisional silos with process silos.

The company reconvened the stakeholder team and started the SAP implementation process from scratch. The group members eventually decided that to finish the project, they would need to start with the business requirements and then reach an end date, rather than trying to fit the project into a mold shaped by the predetermined end dates. They also made sure that they had support from the key divisional heads and that all the employees knew exactly what changes were taking place.

With SAP in place, Nestlé USA has already achieved a significant return on investment (ROI). The common databases and business processes led to more trustworthy demand forecasts for the various Nestlé products. This also allowed the company to reduce inventory and

redistribution expenses. In 2003, Nestlé signed a $500 million, five-year deal with IBM for server hardware, software, and IT services, and integration of its mySAP.com e-Business software system, giving its workers access to mySAP.com via an internal portal customized for their individual jobs. Nestlé is attempting to solve the information management and systems challenge by standardizing on a common ERP system globally. As part of this initiative, they are rolling out a common e-procurement solution across its major regions and markets. Adoption of the solution, which is being licensed from SAP, has been accelerated by Nestlé's e-procurement rollout that does not conflict with its global ERP and data center consolidation efforts. (Nestlé will begin transitioning e-procurement system management to its own data centers in 2007–2008.) This approach also allows Nestlé to handle implementation and change management issues during the initial rollout, enabling simplified system setup and configuration when e-procurement system management moves in-house.

SAP S/4 HANA Navigation

1. **Your tutor will provide you with a Login ID. (~ 10 mins)**

2. **Your tutor will briefly run through "Intro S4HANA Using GBI Navigation slides" slides with you. (~ 10 mins)**

3. **Open the file "Intro S4HANA Using GBI.pdf" and follow the instructions. This exercise explains how to navigate in SAP systems. (~ 15 mins)**