ERP Nestlé & Target

Enterprise Resource Planning

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Section 1

ERP Introduction

Enterprise Resource Planning (ERP) systems appear to be the solutions for companies facing real world business problems. ERP is a software which is made up of strategic business process management tools which can be used to administer information within an organization (Evolution of ERP, 2018). While most companies and organizations operate differently, in order to stay competitive in today's business environment, companies need an efficient and reliable way to access and store information. ERP systems integrate all facets of an organization into an all-inclusive information system which can be accessed by all individuals across the entire organization. With the implementation of an effective ERP system, business owners and leaders can automate and streamline rigorous back office work. It helps employees become more productive and successful. Also, it empowers users by giving them access to all the company's real time data. Implementing ERP is not cheap and comes with many obstacles, whether you run behind schedule or go over budget. It can be very tedious and requires cooperation from all levels of the organization.

There are four main characteristics of an ERP system which include: integration, some assembly required, best practice and evolving. In the integration process, the system needs to be set up to match an organization. Most vendors will promise the complete integration of a company's information. ERP software is integrated, but the platform that it runs on will most likely not be and will have to be customized. The most difficult part of implementing ERP is getting all employees on board with the process of change. For best practice process, ERP vendors will help determine which is the best and most efficient way

in managing different business processes. The evolving process in ERP systems is changing consistently over time in terms of services like any other information technology. Target and Nestle are two good examples of this long and expensive process, this two companies had a different experience.

Nestle and Target background:

Nestle is a Swiss food company founded by a German pharmacist, Henri Nestle. Nestle has over 2000 brands worldwide and its products include cereal, baby food, water, medical food, coffee, tea, and dairy products. It has a presence in over 189 countries. Nestle is home to more than 300 U.S. locations in 36 states, and which also includes 79 manufacturing facilities. Nestle currently employs 48,000 people in the United States alone. It is a big company and just like Target a complex company like this would benefit from an ERP system (At a Glance, 2018).

Target is a retail company that was founded by George Draper Dayton in 1881. Dayton decided to buy Dayton Dry Goods Company, which is now known as Target Corporation. Dayton wanted to explore the market in the Midwest because he believed that the Midwest had a growing market. Target was born when Dayton Company started exploring the concept of upscaling discount retailing and that's how the first official Target store opened on May 1, 1962. During 1966 Target started to expand outside Minnesota. The discount retailing was a success and with the expansion of Target throughout the nation, Target opened its first distribution center in 1969 with the objective of storing and

shipping trailers full of products to all the new Target stores. That is how Target started (Target Through History, 2018).

Nestle Implementation:

The first implementation of an ERP system within Nestle occurred with Nestle USA. Nearing the end of 1997 Nestle USA decided to not go with SAP as their ERP system because the ERP company's supply chain module, Ad-Vanced Planner and Optimizer (APO) was brand-new and therefore, risky. Nestle opted with Manguistics an SAP partner at the time. Shortly after, Nestle USA embarked on an $200 million ERP project called BET (business excellence through system technology). The project was scheduled to run for approximately six years, ending in the first quarter of 2003. BET implemented five SAP modules: purchasing, financials, sales and distribution, accounts payable, and accounts receivable. The goal behind this ERP implementation was unification and centralization. Jeri Dunn who was the vice president and CIO of Nestle USA was responsible for ensuring that the implementation of the ERP system would be a success. She states, "I took eight or nine autonomous divisions and said we are going to use common processes, systems and organization structures" (Worthen).

Dunn quickly learned the challenges that one encounters with ERP implementation. It was not an easy task. The first lesson that Dunn learned was that no major software implementation is really about the software. It is about change management. The company needs to be concerned with how the business is ran. Many companies also need to realize that they must have a middle-of-the-road approach where they realize the software will not

solve every organizational problem and not every process in the company can be engineered to fit the software. So, they sometimes must settle for the package that best fits the company's business practices and goals. The second lesson that Dunn learned was that enterprise rollout involves a lot more than simply installing a software. When you move to SAP, you are changing the way people work. You are changing their principles, their beliefs, and the way they are comfortable working.

The problem with Nestle USA's current system was obvious, and they were able to illustrate it with one product: vanilla. Nestle had twenty-nine brands of vanilla. Nestle USA brands were paying twenty-nine different prices to the same vendor. Dunn states, "every plant would buy vanilla from the vendor, and the vendor would just get whatever it thought it could get" (Worthen). The reason that they could not check or compare the prices was because every plant used their own number to specify vanilla. One factory could use 1234 as the products code, and the next facility would use 4555 instead. In 1997, the CEO of Nestle, Joe Weller coined the term "One Nestle." He wanted the company to work under one company name, that is why he wanted to implement an ERP system to unify and centralize the company. Weller gave Dunn the responsibility of gathering a team of key stakeholders that consisted of executives from each department. The proposal to fix this problem was to transform Nestle USA brands into one integrated company. In the end, there would no longer be twenty-nine different prices for vanilla. Before integration, Nestle USA had nine different general ledgers and twenty-eight points of customer entry.

Although SAP was the cornerstone of the rebuild, it was also a business process reorganization and it could not be done without changing the way Nestle did business. If

they continued with their practices the implementation would fail. When Dunn gathered her key stakeholder team, she failed to accurately represent the groups that were directly affected. She was hearing from executives rather than lower level employees who were able to see what was going on in the company at a base level. Therefore, many of these employees were unwilling to drastically change the way they were trained to work, and resentment was an issue. Another issue that came forth during implementation was that departments were using common names and systems, but they were not integrated. If sales gave a discount to a customer, it was not communicated to accounts receivable, so it appeared that the invoice was partially paid. Jeri Dunn was able to adjust and make last second changes, which accounted for five percent of the $200 million that was budgeted, by replacing all but a few parts in Manguistics. Dunn and Nestle also decided to get rid of the end date and focus on each process. Nestle wanted to let the implementation happen naturally.

Throughout the implementation Nestle USA faced challenges and adversity that they were able to overcome. Changes are important during the implementation of an ERP system and being aware of what is going on throughout your business is vital. Nestle USA was able to implement their ERP system successfully and as a result they saw a return on investment of $325 million. Although Nestle USA faced difficulties throughout their implementation it was not a negative experience. It was a learning experience that allowed them to realize obstacles during the process, which ultimately led to positive decision making and changes. As a result, they received a positive return on investment and they

were able to use what they learned on a larger scope when they implemented a brand-new ERP system with their parent company, Nestle SA.

Target ERP implementation:

Target Canada had a bad experience with their ERP system. Target in Canada planned on opening 124 brick and mortar stores as well as 3 new distribution centers. Target failed at this and had to file for bankruptcy wasting billions of dollars in this project. One decision that Target had to make and was the most important had to be with technology. They needed to find an ERP system that would allow them to order inventory from venders, process inventory though many different warehouses, and deliver inventory to store shelves. Target in the US was already benefiting from said system, but the only down side was that it wasn't designed to manage some requirements that would need to take effect in Canada. These included, Foreign currency and French-language characters. Target had a tight schedule, so they could not easily implement their existing system, so they chose to find a new ERP system that would solve all their problems. Target's timeframe for the implementation started in 2011 and was to have everything completed by 2013 in most of their stores.

When Target went to open their first set of stores, they had some major data issues within the system they were using. It became clear that they had logistical issues with how data was inputted and stored for products. These issues included incomplete information about a product, their lead times were delaying deliveries and products were not fitting into containers. Target in order to cut down implementation time, many companies chose to start fresh with data. Target decided to do this and had no historical data to transfer over

to the system. Users of the system noticed errors within the system immediately. Also, the system didn't have any safe guards to keep these errors from happening. The data issue for Target forced them to shut down its merchandising department for two weeks to fix them (Hornby). To add to the problem of bad data, Target was hiring new employees to work at the Canadian Target offices and not giving them the proper training on procedures and the software. The lack of training came back to hurt Target with some of the data and the supply chain issues they experienced. Besides the data migration costing so much for the company, training their employees on how to use the system also cost a lot of time and resources. When employees are trained and are confident in using the ERP system, previous everyday tasks that were manually done are now being done by ERP, which reduces the human error aspect. Also, if the employees were more confident in using the system, they would have been able to identify the errors in the system and fix them (Hornby).

Targets issue was never with the consumer demand side of the system, that was always there and working. They lacked on their supply chain side of the ERP system. People would notice that products were not on shelves for long periods of time and had "out of stock'' labels on them. It got so bad that Target had weekly flyers and the front-page products would be sold out. Target could not get their problem fixed in time for the second set of store openings, it just added to the mess. The distribution centers were getting back logged with products from manufacturers. Target had to rent out more storage space to house the extra products that they were receiving. Sometimes trucks would have to wait to be unloaded in the parking lots of the distribution centers (dc). Also, the unloading process

was unorganized that the DC's had a hard time tracking Inventory as it went through their doors (Hornby).

Conclusion

Overall, ERP implementation is not an ordinary system implementation, it is more complex. Despite all the ups and downs the system implementation has, it is possible to have a successful outcome, as in the case of Nestle. It is vital for organizations to be prepared for any obstacles that might interfere in their company's success. Target is a company that was not prepared for the re-engineering processes involving the implementation of ERP. There is a huge difference between failure and success, this difference is found in a company's ability to work together to ultimately reach a goal that eventually benefit everyone within the company.

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