SAP Implementation at IBM Personal Systems Group

CASE ANALYSIS

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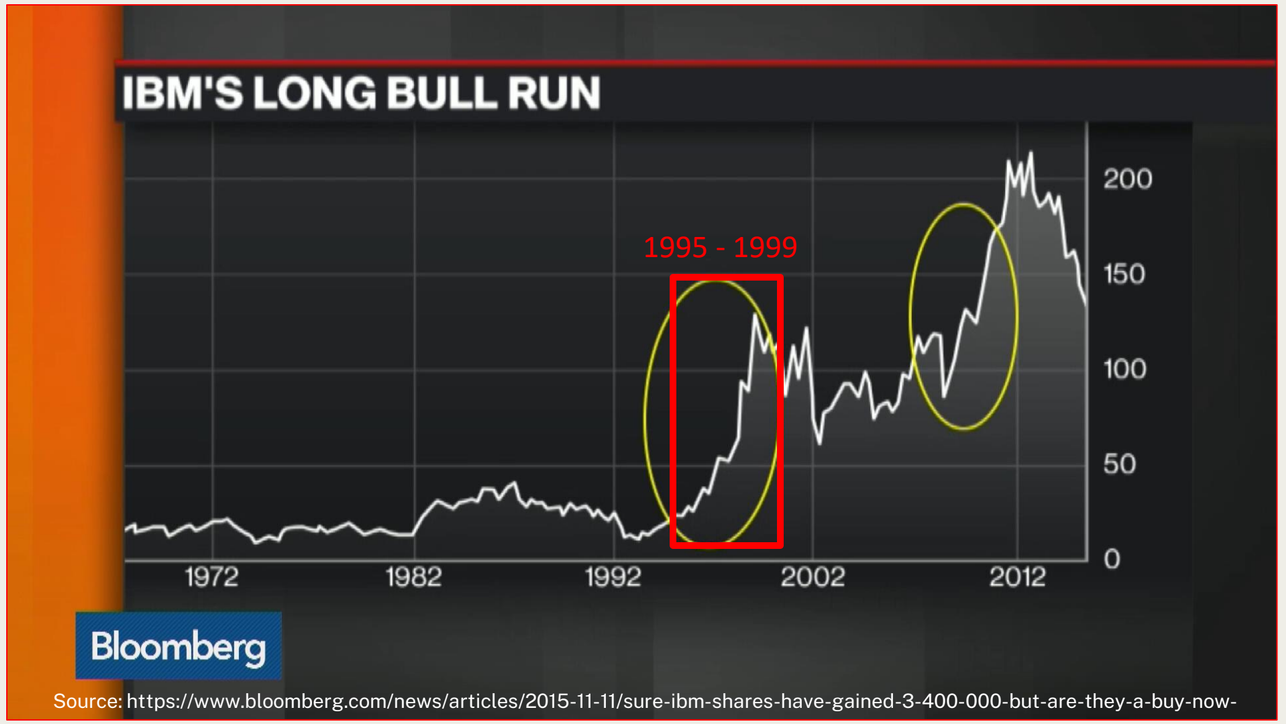
	IBM Personal Systems Group
Introduction	Division within IBM focused on development & marketing of personal computer hardware, software & related products
Products	ThinkPad™, Personal System/1™, Personal System/2™, Value Point™, Ambra™
Issued Area	Supply Chain Management
Net loss	$1 billion (1993)
Processes Slated for Standardization	➢ Product Development ➢ Supply chain processes (Procurement, Fulfilment) ➢ Customer Relationship Management Activities ➢ Human Resource processes ➢ Financial Accounting & Consolidation

	SAP
Introduction	German Software MNC that develops enterprise software to manage business operations and customer relations
Products	SAP R/3 Enterprise Info System (1995) **Question (1)**
Benefits	➢ Faster Customer response by moving product through the supply chain quickly ➢ Retirement of aging legacy application system ➢ Reduction in batch transfer and reconciliation between systems ➢ Single database, with real-time access ➢ Greater Efficiency – only entering data once into the system ➢ Improved management and functional reporting and controls ➢ More highly-centralized operators
Other clients	Chevron, General Motors, Microsoft, Nestle



Source: https://www.bloomberg.com/news/articles/2015-11-11/sure-ibm-shares-have-gained-3-400-000-but-are-they-a-buy-now-


I.B.M. CHIEF MAKING DRASTIC NEW CUTS; 35,000 JOBS TO GO

COSTS PUT AT $8.9 BILLION

Some Factories Are to Close — New Leader Aims for Swift End to Long 'Torture'

Source: Lohr, Steve. 'I.B.M Chief Making Drastic New Cuts; 35,000 Jobs to Go' New York Times, July 28, 1993, p. 1

Question (1)	
What "organizational memories" were discussed in this case and what data did they store?	
Organizational Memory	Enterprise Systems
Data Stored	Transactional data including ➢ FI – Financial Accounting ➢ MM – Material Mgmnt ➢ PP – Production Planning ➢ CO – Controlling ➢ SD – Sales & Distribution

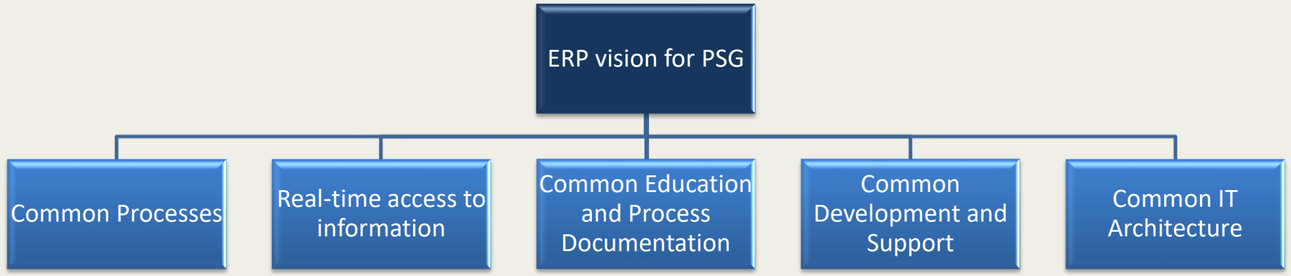
A Timeline showing major milestone related to Implementation of ERP solution in IBM

Year	Events
1993	IBM loses $8 billion capping 3 year loss of $16 billion
1995	SAP ERP R/3 application adopted as IBM's corporate ERP solution
1998	Initial R/3 implementation at Guadalajara plant
1999	Go-Live Date for Raleigh Plant
2000	SAP ERP implementation named a major factor underlying return to profitability

Question (2)

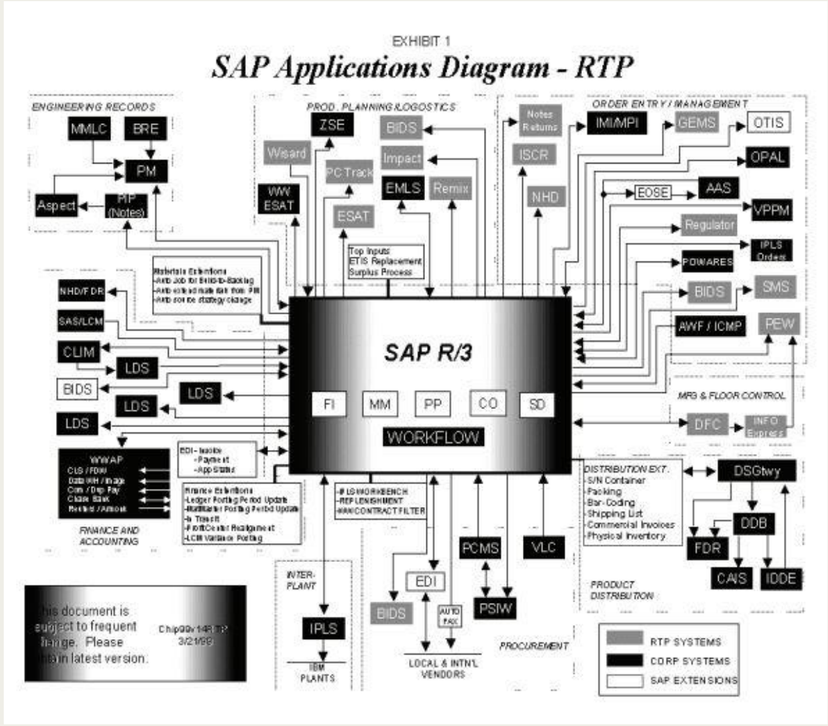
From the BI and "organizational memory" perspectives, what changes happened in IBM after implementing SAP?

A Flow Chart determining the strategic ERP vision for IBM PSG named as 'The Group Model'

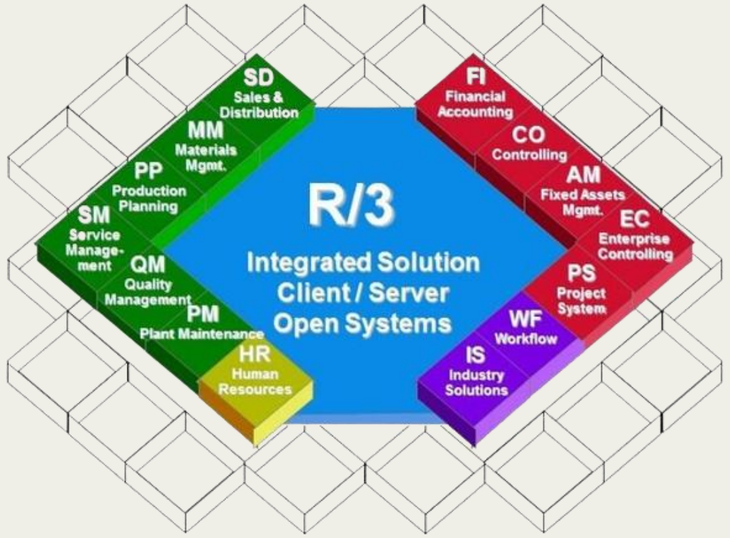


Results of IBM's Corporate Reengineering Efforts

- Market Capitalization increased more than fourfold to $169 billion
- Overall saving of $9.5 billion
- Hardware Development Cycle – Reduced from 4 years to 16 months
- IT expenses reduced to a third



The IBM SAP (Source: Becerra-Fernandez et al., 2005)



Source: https://sd-magazine.eu/index.php/sd/article/view/60

Humbly, Clive.“ *Data is the new oil* ”, 2006, British Data Commercialization Entrepreneur

Question (3)
In general, what are the most frequent factors of failure in data management when using various enterprise systems?

Strategic

- Loss of Governance
- Vendor Lock in & Dependence on SaaS provider
- Loss of Critical resources and capabilities

Financial

- Paying more than agreed subscription fee in order to reach expected level of service
- Hidden costs in the contract
- Not considering cost of SaaS integration

Technical

- Increased security risks in terms of data locality, data integrity, data access, data breaches, data privacy, data confidentiality and, authentication and authorization
- Lack of seamless interoperability with in-house applications as well as other vendor’s services
- Developing customized features in house based on the deficiencies of SaaS application

Bradford, Marianne.“ *When managers of a company select an ERP package to implement, ‘buying into’ the ERP vendor’s view of a certain industry’s best practices relying on the system to support their efforts to embrace their practices*”

Question (4)
What are your suggestions to IBM to avoid the potential failure factors (discussed in Q3) as well as to maximize the value of data for its business?

Strategic

- Developing an in-house application
- Document ERP process
- Delete or Archive old data

Financial

- Eliminate unnecessary reports
- Flexible Product
- Prioritize software maintenance

Technical

- Use customization to your advantage
- Train and Re-train

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