

Case Study: Minerva Implements United Bakeries' ERP

PERSPECTIVE

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IN THIS PERSPECTIVE

This IDC Manufacturing Insights paper provides an independent view of a recent innovative and business-changing enterprise resource planning (ERP) implementation at United Bakeries in the Czech Republic and Slovakia. The main goal of the QAD ERP implementation carried out by Minerva was the centralization of the information systems of two Czech bakery groups – Delta Pekarny and Odkolek, which merged to form the United Bakeries group – and the optimization and standardization of business processes in all United Bakeries' production sites.

Overview of United Bakeries

At the time of QAD ERP implementation, United Bakeries was one of the leading organizations in the bakery market in the Czech Republic, as well as being a leading bakery group in Central and Eastern Europe (CEE). The group has arisen from the merger of the two biggest Czech bakery groups at that time, Delta Pekarny and Odkolek.

The parent company of United Bakeries, with 100% share ownership, is European United Bakeries S.A., based in Luxembourg.

The total turnover of United Bakeries in 2011 (the Czech Republic and Slovakia combined) was CZK 3,720 billion, at which time, the company had 2,099 employees and 15 production sites (two of which are in Slovakia).

IT Challenge Facing United Bakeries

During 2006, Delta Pekarny and Odkolek merged to form United Bakeries. The individual companies had two different local ERP systems, each of which was unable to handle the envisaged future change in business processes. The business goal was to standardize and centralize all aspects of the system and business processes.

In order to get an ERP system that met United Bakeries' demanding requirements, the group approached nine significant IT companies during the tendering process. The group was looking for a partner that already had experience in the food processing industry, and was capable of providing a system that could handle all processes while also being a centralized solution that could be customized.

Having a centralized solution was a very important requirement, as United Bakeries wanted to manage its, at that time, 15 production sites in the Czech Republic and 5 in Slovakia centrally. United Bakeries chose Minerva mainly because its IT solution was centralized, but also because the company was able to adjust the software according to its specific needs. Other key aspects that supported United Bakeries choice to work with Minerva included a guarantee on the completion of implementation of the system, and Minerva's previous experience within the food processing industry and with centralization processes in multinational companies.

United Bakeries changed its hardware platform substantially during the implementation, creating a new IBM server-based platform. The central database required 100% security, so server rooms were built in two separate locations in the Czech Republic; the data connection between individual production sites was boosted, and the security of the whole infrastructure was increased.

System Implementation

The system implementation in United Bakeries had several milestones:

1. Revision of individual processes in the company (eight months for pilot deployment in Slovakia; four months of revision for deployment in the Czech Republic)
2. Analysis, testing, and deploying of processes that were not part of QAD (17 months for Slovakia and the Czech Republic together, including the continuous deployment of software updates)
3. Determining the appropriate accounting structure of the company (1 month)
4. Design of basic registries – articles, customers, suppliers (1 month)
5. Transfer of existing data to the new structure (7 months)
6. Training of users (4 months)
7. Trial operation and stress tests (10 days)
8. Standard system operation

The first part of the implementation was carried out in Slovakia; the system was put into operation on May 1, 2006. In the Czech Republic, the system was put into standard operation on January 1, 2007, which was also the day the United Bakeries group was formally established by the merger. Launching the system in the Czech Republic was one of the most demanding steps of the whole project, as the number of production sites that had to be managed at that time was much higher, at 15, as opposed to 5 in Slovakia.

The implementation was carried out by Minerva, which also acted as the systems integrator. During the project, United Bakeries cooperated

with IBM (subcontracted by Minerva) on the hardware platform. As a centralized solution was chosen, it was necessary to set up the technology in a way that assured that, should one of the production servers fail, the information system is immediately available from the backup. The emphasis on a reliable backup system was indeed high (it features three stages of system backup in case of server failure), as faultless operation was an absolutely crucial aspect for the United Bakeries venture.

Implementation Risk

Legacy Environment

Substantial changes to the IT hardware infrastructure were required to support the new Minerva QAD implementation. The previous environment was a more diversified infrastructure, with a greater number of components such as primary and backup servers and printers, even though IT management was also handled centrally. Therefore, in order to support a centralized IT environment, United Bakeries also cooperated with IBM to develop the new hardware platform required.

The switch to the new IT platform was not accompanied by an increase in users it served; actually, the number of users decreased slightly. The increased demands on the new hardware platform stemmed from its centralized nature: The required output of the centralized system was greater than the sum of the previous decentralized systems, as it had to allow for the processing of more information, facilitate more sophisticated management and data reporting, and have enough output for future adjustments to and development of the system. The ability to manage all production sites centrally with maximum reliability was a paramount aspect for United Bakeries.

Situational Complexity

The situation around the implementation was unique, as many aspects were impacted by the merger of the two companies. The company's organizational structure and management processes were changing as the project was being scoped, with consequent effects on the parameterization of the system and centralization of registries. Complex tests and data consistency checks – part of the final audit of the system before commencing standard operation – were carried out at the same time as changes to the business structure and processes resulting from the merger were occurring, making it even more demanding.

After United Bakeries had evaluated the implementation process, it was clear to the manufacturer that the selection of self-motivated and experienced members of the implementation team was crucial, as was the support of top management. In terms of those United Bakeries employees involved in implementation – the team members – the project was a top priority for all of them.

It is clear that the human aspect and situational complexity are of paramount importance, because if people, processes, and the overall organizational structure do not support the project, it is destined to fail. The success of the implementation showed that both United Bakeries and Minerva had all the required expertise and resources at their disposal.

IT and Business Transformation

Impact on the Business

Three years after the introduction of the new ERP system, United Bakeries was able to set up a central orders collection system and receive orders from its partners using a centralized call center. The following year, United Bakeries enabled its partners to place orders a business-to-business (B2B) module on its Web site, further streamlining the process.

Although the previous systems were also able to provide accurate information, acquiring the data was very laborious and time consuming. The new ERP system enables access to business information from one place (e.g., payment transactions and reminders to customers), considerably faster and in a more user-friendly way than was possible before. The QAD ERP also provided new views on available data and their subsequent analysis.

The new system also helped United Bakeries to improve its integration and relationships with retail chains through the development of electronic data interchange (EDI) communication and faster orders, owing to the call center. The system is also being used as a source of data for other applications used in the company (e.g., intranet).

United Bakeries demands problem-free 24/7 operation of the system, with all SLAs (with Minerva or other partners) subject to this requirement. Minerva has met all the requirements from United Bakeries in relation to the SLA, and Minerva reacts to United Bakeries' requests within half an hour, regardless of when they are placed. This represents an exceptional turnaround time.

The implementation of the new system also resulted in the need to address United Bakeries' access rights policy (assignment and approval). The importance of security and reliability (e.g., backup and restoration of the system in case of failure) led to the selection of IBM as the provider of the hardware platform.

As a part of the implementation process, key users gathered feedback from employees during the implementation, and adapted the solution to meet their requirements. The large volumes of data involved meant that some functions had to be optimized in terms of speed, which resulted in users reporting greater levels of satisfaction with the new system. Users are currently satisfied with the system, and they are coming up with new ideas about how it can help assist and improve their work. The QAD ERP system at United Bakeries is thus under constant development.

For United Bakeries, a very important aspect was the selection of experienced members of the implementation team. United Bakeries also learned that, when merging two independent companies, it is of utmost importance to decide which processes are essential for the newly founded company and adjust the implementation accordingly. Should it become apparent that any elements of the system are not set up properly, postponing the launch of the system is preferable to going ahead with something that does not meet requirements. The selection of an experienced implementer that can also handle non-standard situations is important.

The implementation of the ERP system was a significant change across United Bakeries, and one that was influenced by the ongoing merger, which put further demands on individual key employees who were changing roles during the implementation. In this respect, it was a very demanding process. Given the chance to carry out the implementation again, United Bakeries stated that it would involve sales and logistics teams in the process from the very start.

Conclusion

The implementation process of the new QAD ERP by Minerva put significant strain on United Bakeries' key employees and the company as a whole. Nevertheless, Minerva's previous experience in the food processing industry and with centralization processes in multinational companies proved extremely helpful during the most difficult stages of the implementation. Minerva proved to be a strong and reliable partner for United Bakeries.

The increased hardware demands of the central database means that its operation is now more expensive than before. This aspect of the implementation can be considered to be the only substantial downside. However, it is clear that the implementation was successful and is now paying dividends.

Thanks to the QAD ERP implementation by Minerva, United Bakeries was able to reach one of its key business goals: the centralized management of the international group. United Bakeries was able to standardize business processes, unify its database, and gain support for sophisticated logistics processes.

The streamlining and standardization of business processes resulted in reduced downsizing and reduced logistics costs for United Bakeries. Moreover, the company is now more flexible and able to react to market needs and requests from its customers far more quickly. United Bakeries has already noted positive reactions from its customers to the possibility of using the new call center and the intuitive B2B module for placing orders.

Moreover, although the implementation is finished, there is still potential and scope for further development of the QAD ERP system. As it stands, it increases the efficiency of United Bakeries' operations and supports its downsizing and consolidation program.

The successful implementation of QAD ERP in United Bakeries clearly shows that Minerva has the expertise and capabilities for large-scale implementations characterized by numerous production sites and an extensive customer and supplier network.

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