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Chapter VII

Case of ERP Implementation for Production Planning at EA Cakes Ltd.

This case details the implementation of Systems Applications & Products' (SAP) Production Planning module at EA Cakes Ltd. The market forced the company to change its sales and production strategy from "make-to-order" (MTO) to "make-to-stock" (MTS). The decision to change the strategy involved not only the company's decision to invest much more money in accumulation and keeping stocks of finished goods, it required a complete redesign of its production planning system, which was an integral part of an ERP system that used SAP software.

A team from IT specialists and production planning personnel was formed for designing computer support for the new production planning system business processes. There was no consensus in the design group. IT specialists were sure that existing SAP software could provide adequate computer support. The production planning staff had doubts that SAP modules were relevant to their

business processes. They argued that poor fit between the business processes implicit in the software and the business processes of EA Cakes Ltd. would result in failure.

To resolve the problem, the management invited in a consulting company. The consultants suggested designing quickly a rough prototype system. Analysing this system would help the working group to reach a consensus. Apart from giving adequate computer support to the new production planning system, the SAP implementation had to solve several implementation problems identified by consultants. The question is, can a standard software system like SAP give adequate computer support to an individually designed business management system?

Organisation Background

EA Cakes Ltd., New Zealand, is a successful food manufacturing company with a major share of the market in New Zealand and the Asia-Pacific region. It produces over 400 different kinds of fresh and frozen food products.

From a shelf life point of view, the company manufactures three types of products:

- 1 Shelf-stable and frozen food with practically infinite shelf life (up to 1 year),
- 2 Chilled products with a medium shelf life (from 3 to 6 months), and
- 3 Short shelf life products (from 1 week to 6 weeks).

The demand for many products is uneven. Christmas cakes and puddings, for example, are mainly sold during November and December. Generally, the demand for cakes is lower during summer than during winter. Sales are also volatile because they are conducted through numerous channels, including major supermarket chains, route outlets (such as groceries stores), and food service for hospitals, hotels and restaurants. Sales to Australia, the major export market, add uncertainty to demand.

For years EA Cakes Ltd. built a reputable brand name and enjoyed a stable market. Permanent customers, such as supermarkets, shops, and restaurants,

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