

Management Information Systems 13e

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CHAPTER 3 INFORMATION SYSTEMS, ORGANIZATIONS, AND STRATEGY

CASE 2 **Materials Handling Equipment Corp: Enterprise Systems Drive Corporate Strategy for a Small Business**



VIDEO
CASE



SUMMARY Materials Handling Equipment Corp. is a small business that sells and services forklifts, cranes, and related machinery. The company faced many challenges from a shrinking market and large competitors moving into its markets, reducing prices and revenue streams, to differentiating itself from other competitors. Using SAP's Business One ERP system, the company was able to reduce costs, increase revenues and profit margins, offer services it competitors could not, and discover entirely new lines of business to achieve a strategic advantage. L=3:57.

URL <http://www.youtube.com/watch?v=illeze6i90Y>

CASE Started in Peoria, Illinois, in 1952 as one of the smallest Hyster forklift dealerships in the United States, MH Equipment has grown to become one of the country's largest and fastest growing material-handling services providers. In 1994, the company was purchased by current CEO John Wieland. Since that time, MHE has grown from a company of 50 employees into an organization comprised of multiple dealerships, over 550 employees, and 27 locations throughout Missouri, Illinois, Indiana, Iowa, Kentucky, Nebraska, South Dakota, Ohio, Pennsylvania, and West Virginia.

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Despite its success and expansion, MHE is still a relatively small company. In the last five years it has increasingly faced competition from much larger firms moving into its marketplace, reducing prices, and cutting into revenues. As MHE expanded across the country, costs rose dramatically, in part due the absence of an efficient management system for keeping track of inventory, parts, and service contracts with customers. A single corporate-wide database that could track customers, parts, new inventory, orders, and deliveries was essential just for MHE to survive. To be a true enterprise system, this database would have to integrate with MHE's financial data as well. In addition, smaller competitors who offered similar services and products had multiplied and MHE needed a way to differentiate itself from all competitors if it was to grow its market share. Whatever system was chosen, it would have to be priced so that a small business could afford to implement the system. After reviewing several different vendors, Materials Handling chose SAP to provide it with enterprise software solutions.

Small businesses like Materials Handling generally steer clear of the major enterprise vendors like Oracle, SAP, and IBM simply because these providers are focused on large Fortune 500 firms with very large IT budgets. But the Fortune 500 market for enterprise software has slowed down, in large part because most of these firms already have developed their enterprise systems. The fastest growth for enterprise software is in the small- and medium-size-firm marketplace.

Many enterprise system providers have small business versions of their more powerful systems used by Fortune 500 firms. SAP's Business One is an integrated enterprise resource planning (ERP) system for small and medium-sized businesses, as well as divisions and subsidiaries of larger companies. Produced by SAP, the solution is intended to assist companies by providing support for sales, customer relationships, inventory, operations, financials, and human resources. The application has over 30,000 customers worldwide. Business One is sold in forty countries by a network of resellers. Business One comes with a number of built-in business functions: financial management (automating financial and accounting business processes); warehouse and production management (managing inventory); customer relationship management (supporting sales and post-sales support); purchasing (from purchase orders to vendor invoices); and management reports.

VIDEO CASE QUESTIONS

1. What were the business problems facing MHE? How did they relate to its existing older systems?
2. What were the advantages of working with SAP's Business One?
3. Why did the new ERP system give the company a competitive advantage?

4. What was the impact of the ERP system on corporate costs, and revenues?
5. What new revenue generating service was MHE able to provide to its customers? Why did MHE develop a customer portal?

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