

Ashok Leyland: IT in Transition

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EXECUTIVE SUMMARY

An organization that has been traditionally known to have a strong in house information technology development team and has successfully managed a home grown ERP solution for over a decade faces a transition point. Ashok Leyland, a large leading Indian automobile manufacturer is faced with the dilemma of moving to a product based ERP platform or continuing with the homegrown ERP solution. The challenges with the homegrown ERP solution are evident to the GM, but the potential challenges of the product platform are not crystal clear. What path should he take?

Keywords: Automobile, Enterprise Resource Planning (ERP), Homegrown Solutions, Implementation, India

SETTING THE STAGE

In June 2011, VenkateshNatarajan, General Manager -IT of Ashok Leyland Ltd. (ALL), was waiting for the ERP team meeting to begin in the marketing office as he revisited the events of last two years. He recollected the challenges they faced with the home grown solution; the issues of integration; the pressures to revamp ALL's IT; the choice between homegrown ERP and a product platform; the transition and what the future holds for IT at ALL.

Few questions had plagued his thoughts during the initial months: Is the time ripe for a full-fledged ERP solution at ALL? What are the alternatives? Should they continue with the homegrown solution and undertake a revamp and application renewal exercise or should they

attempt implementation of a product platform? What challenges should he, as a GM-IT, anticipate in the transition from homegrown to ERP solution at ALL?

ORGANIZATION BACKGROUND

Ashok Motors Ltd. was incorporated on 7th September 1948 in Ennore, Chennai. It started with an objective to manufacture diesel engines and chassis of commercial vehicles. Ashok Motors was rechristened Ashok Leyland Ltd. in July 1955, as a result of the technical collaboration and equity participation with Leyland Motors Ltd. of the UK. It has since then become the second largest manufacturer in the medium and heavy commercial vehicle segment in India. By the year 2009, the total employee strength exceeded 11,900. (Refer to Appendix G [Figure

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5] for performance highlights and Appendix H [Table 1] for Balance Sheet).

The company operates through its seven manufacturing plants with the primary plant situated at Ennore, a suburb of Chennai in the state of Tamil Nadu. Three plants at Hosur (Hosur I, Hosur II, and Hosur IIA) in Karnataka; assembly plants at Alwar (Rajasthan); Bhandara (Maharashtra) and a relatively newer state of the art facility at Pant Nagar in Uttarakhand complete the company's setup. The mother plant at Ennore accounts for almost 40% of the overall production, while the Pantnagar plant inaugurated in March 2010 is a self-sufficient integrated manufacturing facility. (Refer to Appendix C [Figure 1] for a map of the five locations and 3b for the main activities of the different plants; Appendix D refers to the seven plants of ALL and their main functions [Figure 2].)

The company's product profile broadly consists of buses, trucks, defence vehicles, special vehicles and engines. This includes 18 seaters to 80 seater buses; comprehensive range of trucks for a variety of applications including long-hauls, distribution, construction or mining; light commercial vehicle with a carrying capacity of 1.25 tonnes; defence vehicles; and engines for industrial generator sets and marine applications.

Ashok Leyland Ltd., the flagship company of Hinduja Group (Appendix A provides group overview), has been on the growth path in both national and international markets. It has ventured into a slew of modernization steps by forming joint venture agreements with various international companies (Appendix B provides an overview of joint ventures initiatives). Ashok Leyland is also actively engaged in research and development guided by global technology leaders. In 2008-2009, ALL had an annual turnover which exceeded Rs. 6,666 crores (approximately USD \$1.3 billion) with a production capacity of 54,431 vehicles and over 21,447 engines. The slump in the heavy vehicles, especially trucks market, affected the company badly and it saw a 34% decrease in vehicle sales since the previous year (Ashok

Leyland, 2008). The engine sales volume, though, increased by over 80% since the previous year. The trend reversed in the subsequent year when vehicle sales saw a 17% increase in 2009-2010 while engines saw an 11% decrease. Such fluctuations are attributed to both external factors such as the macro-economic cycles, the oil price movements and internal factors such as new product introductions. Intense competition in the market also forced the firm to turn to active sales promotions and aggressive marketing strategies.

ALL has continuously showed sensitivity to the needs of common man, the environmental concerns of war-ravaged countries and the safety and quick mobility of defense and armed personnel in inhospitable terrains through design and manufacture of vehicular products suited to the varying customer needs. In 1998, Ashok Leyland indigenously designed and began manufacturing a low floor bus called "The Panther." To add to its philanthropic credentials, ALL supplied 25 buses to war-torn Afghanistan, as a part of the Indian Government's assistance and kind gesture to the people of Afghanistan. In 2003, Ashok Leyland executed an order for a supply of 3322 trucks to Iran under oil for food programme of United Nations, the largest ever contract won by an Indian commercial vehicle manufacturer.

While ALL as a business organization forged ahead, it remained environment conscious. All the manufacturing units of Ashok Leyland Ltd. are ISO 14001 certified for Environment Management System. To mitigate environmental pollution, ALL was also a pioneer in manufacturing Compressed Natural Gas (CNG) buses, special vehicles, medium duty vehicles and fire-fighting trucks for armed forces. It manufactured the first electric Plug-in-CNG hybrid bus in 2002, thus opened new vistas in export promotion for the company. The company was exclusively credited for pioneering a number of technical innovations such as full-air brakes, three-axled trucks, the first CNG run bus in 1997 and the first Indian Hybrid electric vehicle in 2002. The company also experimented with vehicles running on

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