

Chapter 51

Ghabbour Group ERP Deployment: Learning From Past Technology Failures

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EXECUTIVE SUMMARY

Ghabbour group “GB Auto,” an Egyptian auto trading and manufacturing establishment, has gone through two ERP successive implementations within the past 12 years. The newer implementation has experienced several impediments. The executives and the Board of Directors at the group have thoroughly and aggressively examined the status of the IS services provided by this ERP system and assessed their impact on the quality of decision making at all levels of management. The driver for this was to secure all the necessary platforms and management tools for enabling growth and improving efficiency and effectiveness of the company’s business operation and resources. The extent of lack of control and effective utilization of the use of resources in the group has been cited by the top management in many interviews. Following its public offering and registration in the CASE and CMA, GB Auto was legally demanded to provide annual and quarterly audit reports of its varied LOBs’ performance. The existing information management infrastructure was not providing such agile services. The trajectory of implementations of integrated Enterprise Information Systems at the group was reviewed in this case study and was duly investigated to assess the effectiveness and appropriateness in servicing those purposes and increasing the company’s competitive advantage.

ORGANIZATION BACKGROUND

Ghabbour Group (GB) name has become closely linked to the automotive industry in the Egyptian market – from distribution and manufacturing to

after sale services – spanning the full spectrum of the transportation arena. This led the group to adopt the motto “GB Auto - everything on wheels.” By the 1990’s, privately owned GB group became widely associated with Hyundai passenger cars as a distributor and car assembly manufacturing.

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The group's role and history in the Egyptian economic field dates back to the 1940's. During this era, the two brothers, Kamal and Sadek Ghabbour established their private auto trading company. The firm was officially incorporated in 1956 as "Ghabbour Brothers." The business area of the firm included trading in automotive products, construction materials, home appliances and electronics.

During the 1960's, the Ghabbours' legacy was firmly maintained despite the economic constraints and hardships in this period, when Egypt embraced the Socialist economic doctrine. By the early 1970's and as a result of the Egyptian government's initiative to adopt the economic open door policy, the group's vision to become serious establishment in the automotive industry not only as a trader, but as a manufacturer, took shape. To that effect, the company started focusing on acquiring licenses and agencies for passenger cars, buses, trucks and automotive parts.

The first manufacturing operation of the group started in 1985 by assembling bus bodies under technical agreement with Scania AB. During this era, Egypt's sole automotive manufacturer was the state-owned El Nasr company for automotive which failed to establish the robust infrastructure for sustainable automotive manufacturing base [removed phrase]. The initial industrial base of GB group started near Cairo-Alexandria Agricultural Road in Qalyubia governorate, which was quite a convenient site due its proximity to major markets and easy access.

With the transfer of management to the younger Ghabbour generations in the early 1990's, the GB group witnessed phenomenal growth and expansion. Horizontal expansion was manifested by the addition of new lines of business (LOB) and diversification of product mixes. While vertical expansion was manifested by increasing the manufacturing base capacities, trade partners and brand names licensing. Hyundai car manufacturer of Korea granted GB group the exclusive agency

for the distribution of its passenger cars in Egypt since 1992.

In 1995, GB group was also granted by Hyundai the technical license to assemble passenger cars - Completely Knocked-Down (CKD) units in addition to trading in the Completely Built Units (CBU). Since then, GB group acquired additional agencies for Mazda passenger cars, two and three wheelers products of Bajaj of India; assembly licenses for Mitsubishi trucks and buses; and Volvo trucks and buses. In 2006, GB group entered the transportation services area, for both passengers and cargo, by establishing the new subsidiary - Haram Company.

In 2003, Chairman of the GB Group, Dr. Raouf Ghabbour, established the Raouf Ghabbour Investment Company (RGI) as the holding company of the group's subsidiaries operating in varied LOB portfolio. A list of these subsidiaries is shown in Table 1 together with the business activities pertaining to each subsidiary. In Table 2, we list the various corporate business organizational units in the group and the associated business activities each performs. Those corporate business units provide services across the entire functional activities of the group's subsidiaries.

Before year 2006, RGI (S.A.E) operated as the holding company for GB group's affiliated companies which were wholly owned by RGI. However, one of the groups' affiliated companies – GB Capital was subsequently named as the holding company for the group and RGI became in effect a wholly owned subsidiary. In April 2007, GB capital name was changed to GB Auto.

In July 2007, GB Auto made its Initial Public Offering (IPO) and applied to the Cairo and Alexandria Stock Exchange (CASE) and the Capital Market Authority (CMA) to become a share-holder company with the name of GB Auto (S.A.E). The Ghabbour family maintained ownership of majority of the shares (71 percent). However the offering attracted many foreign and local share holders. A board of directors was formed soon

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