

MIS 3537: Internet Enabled Supply Chain

Midterm Case

A few midterm exam questions relate to this realistic but fictitious small business case.

You are invited to pre-read, print, etc. the case prior to the exam.

Alder Industry Solutions (AIS), Inc.

Alder Industry Solutions (AIS), Inc. is a medium sized distributor of industrial supply materials to a variety of industries in central United States. AIS, Inc. buys and sells a large variety of industrial supplies used by manufacturing plants as well as some service and office maintenance firms.

AIS, Inc.'s origins were a small supply distribution company in Pennsylvania. They grew by through the aggressive acquisition of other similar distribution companies in related geographies, industry sectors and market positions. As a result, AIS, Inc. sells many materials; many of which are very similar. They have a large number of suppliers / vendors as well as a large number of customers in their geographic area.

Customers value AIS's broad product line and fast service. A highly dedicated group of customer service and warehouse personnel value their customers and there are many stories of heroic work done by AIS employees to help customers in need and assuring materials ordered got to the customer when needed.

However, the service comes at a cost to AIS, Inc. The distribution business is highly competitive in this geographic area and AIS struggles to get and maintain premium prices for their service from the customer base.

Company Leadership

- *Tom 'Bud' Collins, Chief Executive Officer:* Tom (better known by his nickname 'Bud') is the spark plug that makes AIS, Inc. go. He took the original company and grew AIS, Inc. to what it is today. Through his energy and drive, sales have continued to increase every year despite challenging market conditions and strong competition.
- *Joseph (Joe) Miller, Supply Chain Operations & Procurement:* Joseph until the past year was President of Hometown Supply House, Inc. one of the recent acquisitions of AIS, Inc. He has a strong track record in low-cost, efficient distribution.
- *YOU, Vice President of Information Technology and Productivity:* YOU joined AIS a year ago after receiving dual degrees in MIS and Supply Chain from the Fox School of Business at Temple University. At AIS, Inc. you completed an accelerated rotation program which included assignments in customer service, warehouse operations and Information Technology. You've recently been promoted to your current role. The company is excited having YOU join AIS, Inc. to put its poor IT and operational productivity initiatives on the right track.

Company Culture

Like many companies formed from multiple acquisitions, there is much redundancy within the supply chain of AIS, Inc. The customer service and heroic desire to please the customer permeate most of the acquisitions. Much effort was expended by Tom (*Bud*) and the management team to assure this perspective and related behaviors are instilled in all the new acquisitions.

There have been limited efforts (mostly failures) however to consolidate the operations of AIS, Inc. Many of the original managers of the bought organizations (e.g. Joe Miller) still work for AIS, Inc. and they protect their original company personnel, distribution sites and product lines when consolidation discussions occur.

A recent study by a local supply chain consulting firm outlines the following challenges that AIS, Inc. faces:

- Multiple distribution warehouses cover the same geographic area.
- Significant overlap in the product lines sold. For a given type of supply sold, often there are 3-5 different products sold with a variety of brand names and private label versions (i.e. private label brand versions from the original acquired distributors).
- A huge number of vendors.
- Even with the same vendor, often there are different contracts and prices from the original acquired distributors. Limited consolidation of purchases and leveraging total AIS buying power has occurred.
- The customer service workers have been consolidated into a single working group. However, other operations (e.g. procurement, expediting purchases, payment processing, etc.) however remain fragmented among the operations staffs that remain from the original acquired distributor companies.
- Integration of purchasing activities with vendors remains fragmented and highly manual. Work (sharing requirements, expediting purchases, validating arrival dates, etc.) gets done mostly via the phone.

Since you received your promotion 8 weeks ago (accompanied by a very attractive offer including company stock) you've observed or heard the following:

- "How does anything get done around here with all the vestiges of the original acquired companies?"
- "How can we spend like we have when we haven't reported a profit yet?"
- "You should hear the fights between Bud and Joe. His original company roots run deep."

Systems Upgrade Options

Your predecessor started a review of options for upgrading the supply chain systems for AIS, Inc. The initial goal is to consolidate the systems platform across the various acquisitions. However, there is also pressure from management to increase profitability and become more productive.

Your initial assessment of the 3 options is:

Option 1: Large ERP system

- Costly
- Can handle all activities across enterprise with single system, data base, IT vendor
- Some flexibility to meet AIS, Inc.'s needs
- Limited supply chain integration options with external companies (customers, vendors)

Option 2: Web-base Procurement system

- Less costly
- Can handle all procure activities across AIS, Inc. However, interfaces would be required to other company systems (e.g. inventory, sales, finance, etc.)
- Good flexibility to meet AIS, Inc.'s procurement needs
- Extensive web-based integration options with vendors

Option 3: Customize existing ERP system

- Lowest estimated implementation cost
- Internal I/T resources have limited experience with systems and project of this scale
- Leverage system already used by one of the acquired distributors (Hometown Supply House, Inc.)
- Can handle all activities across enterprise with single system, data base
- Fully flexible to meet AIS, Inc.'s needs since system will be customizable
- Customizable add-on supply chain integration options found with external companies (customers, vendors)