

# Tektronix, inc. essay sample

Business



Tektronix is one of the largest suppliers of electronic tools and devices in the world with annual sales of over \$2 Billion and presence in nearly 60 countries. It was founded in 1946 in Oregon, USA and has three autonomous lines of businesses - Measurement Business Division (MBD); Color Printing & Imaging Division (CPID); and Video & Networking Division (VND).

However, the company was struggling financially in the context of increased global competition leading to the constitution of a five-year recovery program. Net income had declined 28% Y-o-Y in 1998 while capital expenditures had increased 38% in the same period. In addition, there was no standardization either in business processes or in IT systems worldwide. Third, the existing legacy systems slowed processing and customer service. Fourth, there was a lack of integration between the various financial systems which made it difficult to identify which businesses were profitable and which were not. Fifth, the IT systems were not projected to be able to support fast-growing divisions such as CPID for long and therefore, there was an urgent need for IT capability that would grow with the business.

#### Initiative Objectives/Benefits

The key objectives/expected benefits of the initiative to implement a new ERP system were - (1) Standardization and simplicity across the organization/the " Frankfurt is Orlando" approach (2) Increased speed of operations (3) Reduced costs (4) Separability of the businesses (5) Leveraging shared services (6) Minimizing the customizations to the new ERP system to the extent possible.

## Initiative challenges

The key challenges that the initiative to implement a new ERP system faced was – (1) Complexity and global scale of the changes that had to be made – for example, there were 460 legacy systems in the United States alone (2) Tektronix had only recently completed implementation of a manufacturing-related package developed by a very small company and therefore management did not want to put Manufacturing through another implementation so soon (3) Several major business changes were necessary to facilitate IT-related changes in several countries such as those in Europe (4) Absence of internal skills in project management, technical and functional skills on Oracle ERP and Unix (5) MBD & VND's product complexity that ran contrary to the mandate for standardization (6) Reduced employee commitment at VND to the ERP implementation on account of their being in the middle of a recent acquisition.

## Results

- ' Hard' benefits such as reduction in Day Sales Outstanding, increased inventory turnover, drastic reduction in the cycle time for credit approvals. ■
- ' Soft' benefits such as the acceleration in the ability to close financial books, improved availability & better quality of information to aid decision-making, substantial reduction of time spent by employees in collecting data thus providing them more time to analyzing it i. e. increased efficiency and productivity, better visibility into customers and products, and greater flexibility to the management in acquiring new businesses and divesting existing ones.

## Relevance and Analysis

■ The Tektronix case is a timeless but extremely relevant case that beautifully captures the dilemmas, pain, and fears that most organizations went through in the 1990s and 2000s in the process of upgrading to ERP systems. Unlike Tektronix, several companies have failed in the implementation and a closer look at common pitfalls is essential to understand the key success factors. ■ First, IT is inextricably intertwined with business and therefore, the most important indicator of success is support for the initiative from the top leadership. At Tektronix, the CFO Carl Neun had the complete support of the CEO Jerome Meyer, and Carl Neun in turn backed his CIO Bob Vance. ■ Second, if the business strategy behind the implementation has not been clarified and communicated to all stakeholders before the change, the change is less likely to succeed.

Tektronix did this very well by creating a steering committee and developing a “ global business model” and “ Business Practice Changes and Guiding Principles” ahead of detailed work on the project. ■ Third, a competitive advantage needs to be created with the ERP system because if the package is installed without any customization, one can be sure that competition has the same system. Tektronix did a great job again by isolating modules such as OMAR from others where standardization was a key requirement to drive efficiencies. ■ Finally, ERP implementation must be done in phases or “ waves”. This not only manages the risk of failure but also demonstrates “ quick wins” to all stakeholders ensuring high team morale throughout the long-drawn process of change. I believe Tektronix was too aggressive with its

timelines and would have tempered those through they did eventually succeed in the program.

#### Citations

<http://www.hoovers.com> (Company Profile of Tektronix & Acquisition-related information) Putting the Enterprise into the Enterprise System. By Thomas H. Davenport. Harvard Business Review.