

Madras Cements

Case Summary

Madras Cements was a leading cement producer in southern India, but due to inefficient management of information, transactions, and reporting processes was struggling to control costs. This posed a problem. Cost efficiency was one of the best ways for the company to secure a competitive edge in the cement industry. Madras Cements company leaders thought the solution might rest with IT. But the company's first attempt to improve reporting processes by implementing an Enterprise Resource Planning (ERP) system fell short.

Undaunted, Madras Cements' management team mounted a second ERP implementation, applying lessons learned from the failed attempt. Chief Financial Officer A.V. Dharmakrishnan, who led the second ERP effort, worked closely with the IT department and its senior general manager, N. Varadarajan, to build additional capabilities in the ERP system. This evolved into a continuous journey at Madras Cements to build agility into every aspect of its business operations. The results of this transformative process were impressive. An analyst report published in February 2013 claimed that on a five-year basis, Madras Cements had generated the highest average EBITDA per ton of cement produced in the industry.¹ Madras Cements beat its nearest competitor by over 15% in terms of EBDITA. A.V. Dharmakrishnan was promoted to CEO of the company in April 2012 for effectively managing operations and transforming the organization's culture.

This case illustrates the process of successfully championing ERP implementation in a complex, diversified conglomerate in a developing country. In particular, it highlights the significance of the social transformation realized by the Madras Cements team during its second attempt at ERP implementation. In doing so, the case illustrates significant aspects of ERP implementation; process redesign, change management, and getting by-in from top management. The case also discusses how Madras Cements made the digitization transformation to facilitate evidence-based decisions.

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© 2014, Professor C.K. Prahalad and Professor M.S. Krishnan. This case was prepared by MBA students Sanjeev Kumar, Balaji Sudarsanan, and Adarsh Prabhakar under the supervision of Professor C. K. Prahalad and Professor M. S. Krishnan of the Ross School of Business at the University of Michigan. Rajeev Ved conducted the field study and initial documentation for the case. M.S. Krishnan has worked as a paid consultant for Ramco Group.
