

The Soft Stuff is Really the Hard Stuff Getting ROI on Your ERP Investment

ERPs Fail to Deliver Anticipated Results

- It takes a company an average of 23 months to get an ERP system up and running, at a cost of \$10.6 million for the implementation and another \$2.1 million for maintenance over a two-year period. Additionally, the average company incurs a negative ROI of \$1.5 million over a five- to six-year period.¹
- Average cost overrun (for companies with revenues of \$500 million plus) – 178%
- Average schedule overrun – 230%
- Average slide in functional improvements – 59% deficit.²

For many companies, the price to be paid for ERP has been too big to bear. There are numerous examples: Allied Waste Industries pulled the plug on a \$130 million hardware and software system running SAP. Its competitor, Waste Management killed an SAP project that would have cost \$250 million.³

“Most failures with ERP happen not because the software doesn’t work—it’s the acceptance of change that failed.”

ROI Means Adoption

Unsuccessful or sub-optimized ERP implementations are largely the result of companies failing to invest and prepare for the human elements of these implementations, despite the evidence that this is the source of greatest risk. Failures are rarely the result of technology integrity.

Companies often mistakenly regard these implementations as a purely technical issue with inadequate emphasis on the human elements leading to adoption. As a result, these companies have not achieved their business goals in regards to cycle time, customer satisfaction and cost reduction – that justified the ERP purchase in the first place.

The winners, in contrast, understand that implementing an ERP system means transforming the entire business, and they manage it that way.⁴

Hammer and Co. surveyed several hundred companies that had installed SAP. The top tactical error named was the failure to invest adequately in managing the human elements.⁴

“Most failures with ERP happen not because the software doesn’t work – it’s the acceptance of change that failed,” says Jeffrey Phillips, vice president of sales for Clarkston-Potomac, an IT consulting firm.

Investment in Implementation Pays Off

Companies that regard implementation, not installation, as the goal – i.e. orchestration of key human, organizational and technical factors – do achieve their business goals. Companies should not proclaim “mission accomplished” until they have

achieved adoption and Return on Investment. Successful software installation is critical, but it’s not the finish line.

AIM: Implementation, Not Just Installation

IMA (Implementation Management Associates) provides a process to identify key factors for successful adoption. **Accelerating Implementation Methodology (AIM)**, is a transferable framework to develop any organization’s internal capacity to manage change and accelerate implementation.

AIM was used to facilitate a \$70 million global SAP system implementation at a major pharmaceutical corporation. This involved a major culture shift into new technology and a complete reengineering of

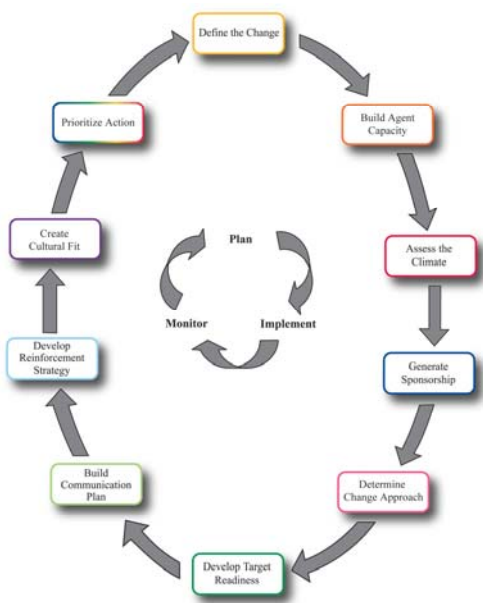


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jobs to align with the SAP initiative. The **AIM** process played a key role in this successful, intensive rollout including planning, implementing, and monitoring the process. **The project was implemented on time and under budget.**

There is a sound reason behind the successes. The methodology is systemic. And each step of the **AIM** road map addresses a likely adoption barrier. **AIM** serves as a robust planning tool that can be “unbundled” for high-leverage execution, enabling organizations to utilize best practices.

IMA's Accelerating Implementation Methodology The Road Map



In addition, **AIM** is tactical, practical, repeatable, and based on common sense.

The **AIM** process also includes data-driven tools that allow you to measure predictable data points in the ERP integration process. It can be used to identify work life disruptions that are inherent in ERP

implementations. It is an ideal tool for the development of strategies and tactics to minimize anticipated barriers and leverage key strengths to increase readiness for a major systems change. In short, **AIM** provides users with a process to accelerate the achievement of critical strategic goals – with fewer resources and fewer human casualties.

Tips for Implementation Success

- **Lesson # 1: Develop a clear definition of your desired future state**
The **AIM** Project Overview allows key players in the implementation to arrive at a common definition of the change.
- **Lesson # 2: Invest in the human side**
Implementing a big ERP package will be about half technology and half organizational and human issues,” says K.S. Kuo, president of Coastside Data Systems, an ERP consulting firm. “It’s easy to overlook the non-technical side.”⁴ **AIM** is focused on the human side – it identifies potential barriers to the change, enabling quick implementation with limited resources.
- **Lesson # 3: Get adequate sponsorship from senior management**
“You have to have executive-level sponsorship, or you’ll battle with employees every step of the way,” says Alan Green, product manager of Oracle Financials at Southern Energy.⁵ Define the role of the Sponsor. CEOs and top managers are often unsure of the role they should play.² Use IMA’s Sponsor Assessment tool to assess the level and type of commitment of any Sponsor.
- **Lesson # 4: Plan and manage the implementation effectively**
Integrate project management and the human elements into one cohesive implementation plan.



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- Lesson # 5: Be prepared for resistance

Human resistance to change is natural and inevitable. Be sure to surface covert resistance. If not immediately and properly dealt with, resistance will fester and act as a barrier to your implementation. The Individual Readiness Assessment tool surfaces different frames of reference about the change, enabling effective management of resistance.

Select a solid methodology to guide the implementation process. "It is extremely helpful to have a road map," says author Nancy Bancroft. "Project leaders must set out clear, measurable objectives at the beginning of the process, and review the progress at intervals."⁶ **AIM** is that road map.



Sources:

1. Tom Stein, "Making ERP Add Up," *Information Week*, (May 24, 1999).
2. Scott Buckhout, Edward Frey and Joseph Nemeck, Jr. "Making ERP Succeed: Turning Fear Into Promise" Strategy & Business, Booz-Allen & Hamilton (Second Quarter 1999)
3. Kevin Maney, "Software so Huge and Complex – ERP! – never mind," *USA Today*, (June 23, 1999).
4. "Succeeding with SAP," Hammer Videos (1998)
5. Brett Mendel, "Overcoming ERP Project Hurdles," *InfoWorld Electric*, (July 19, 1999).
6. Nancy H. Bancroft, *Implementing SAP R/3*, (Manning Publications Co., 1996).
7. Torsten Busse, "ERP Market will Reach \$52 Billion by 2002, AMR Says," *InfoWorld Electric*, (August 6, 1998).
8. *Report on Enterprise Application Spending and Penetration*, AMR Research, (August 23, 1999)



**Selected examples of ERP implementation engagements using
IMA's AIM methodology:**

Implementation of a \$70 million SAP R/3 financial and procurement system at a major pharmaceutical corporation. IMA provided consultation, measurement, facilitation and action-learning. IMA played a key leadership role in all aspects of the process (affecting 2,500 users) from initiation through planning, execution and control, implementation, and post-implementation support. This project was implemented on time and below budget, with human needs and technological objectives met.

A company-wide Oracle implementation at a major utility company. IMA provided consultation and action-learning. IMA participated in all aspects of the implementation, which involved two geographic areas and nine applications. The project was completed on time and within budget.

A \$400 million global business implementation project for a major pharmaceutical corporation. The implementation affected 30,000 people worldwide in 59 countries. This project involved a financial module as well as human resources and manufacturing systems. IMA prepared a 500-person team to enable the launch of this implementation as scheduled.

Consultation to an aerospace corporation in a major rollout of a number of ERP systems, including SAP (financial), PeopleSoft (payroll), a version of MRP2, and COTS (procurement). This affected 40,000 employees and was implemented as scheduled.

Pre-implementation training to team leaders from a manufacturing company in preparation for a Baan systems rollout. AIM was used to identify barriers to successful implementation. The resulting data was used to formulate a set of tactics to overcome these barriers.

Consultation to a major aerospace company facing difficulties implementing an ERP project. This \$1.2 billion implementation involved 900 full-time Change Agents. IMA's AIM management approach was used to pinpoint critical barriers to success.

Design of an implementation system for a regionalization and modernization project for a government agency. The implementation of the PeopleSoft system affected over 1 million civilian personnel. The system was designed to change the role of the human resource professional in the organization. The reduction of HR personnel, from 15,000 to 5,000 in three years, was one of the many objectives that were met as an outcome of successful systems implementation.