

Meridian Perspectives

Paths To ERP Success

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Your investment in Enterprise Resource Planning (ERP) capability presents unique challenges.

ERP allows a firm to perfect new ways of getting work done and, at the end of the day, new ways of work are the true source of ERP's business benefits.

But the effort to adopt ERP solutions is fraught with risk. A decade's experience facilitating ERP initiatives demonstrates unmistakably that an organization can have a technical success - i.e., software is running, data converted - but a BUSINESS FAILURE if the ERP initiative is not viewed as a transforming business experience and measurable improvements are not made in how work is accomplished.

Consider the empirical evidence:

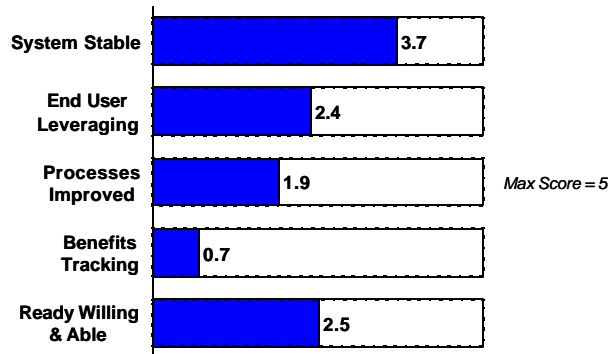
- Over 80% of ERP implementations fail in their first attempt, the majority of which are due to the lack of customer ownership of the process.
- Approximately 25% are complete failures, meaning they were cancelled or failed completely to deliver even base functionality.
- More than 50% are moderate failures, meaning they failed along one of three critical dimensions (i.e. failed to deliver needed scope, failed to deliver on time, failed to deliver on budget).

The train wrecks are all around us - how do we avoid the mistakes of others?

Meridian Consulting has identified five qualities that define successful ERP implementations. We call these criteria our 'Delivery Framework.'

1. The ERP technology is stable, reliable, and meets or exceeds performance needs.
2. End-users are leveraging the functionality at or greater than planned.
3. The ERP technology demonstrably supports better business processes and practices.
4. Business benefits are managed, are tracked, and exceed Total Cost of Ownership.
5. The organization is ready, willing, and able to continue, even expand, its ERP investment.

Most implementations achieve some, but not all of these objectives. A typical set of implementation scores follows.



Most projects under-deliver against our Delivery Framework because they over-emphasize technology at the expense of people and process.

Our experience clearly shows that successful ERP implementations demand a far greater degree of business 'ownership' and direct involvement than is commonly demonstrated. At its core, the process of ERP configuration is comprised of a set of business decisions, ideally made with direct input from business owners - a much different process than software coding.

Critical success factors for your ERP initiative therefore include:

- ERP must be one of your organization's top two priorities. Due to the enterprise nature of the ERP solution, failure to put ERP at the top of the heap compromises the quality and quantity of resources committed to your initiative, ensuring a long, costly, and ultimate dissatisfying ERP experience.
- Your ERP initiative must be a business-led, business owned initiative. This means: 1. More than one-half of the resources tasked to the initiative are from the business, not from Information Technology; 2. Business leaders and managers make the decisions underlying the ERP configuration, not those configuring the software; and 3. The business transits the majority (if not all) of their transactions from your legacy/manual environment into your new ERP environment
- Your ERP initiative must focus the majority of your project team's energies on driving people and process change, using technology as a catalyst for grass roots improvements in 'how work really gets done.'
- The leaders of your ERP initiative must recognize that there will be hard tradeoffs between scope, time, and resources required during your ERP project and must be sufficiently committed to exceeding business expectations to make their tough decisions stick.
- Your ERP team must 'template' the processes used to introduce new technologies to your ERP end-users, making rollout controllable and repeatable.
- Your ERP team must build the 'industrial strength' processes needed to support your new ERP technologies over decades, recognizing that you will spend more on the ongoing development and support of your ERP platform than on your initial implementation.

A final critical success factor: ERP can become one of the most politicized initiatives you'll ever undertake. As a result, today's ERP initiatives require 'proof points'—objective, factual proof that your project set and achieved specific, important goals.

Too many ERP projects provide incomplete proof points. They build business cases, but fail to use their business case to guide their actions. They implement software, but fail to implement the metrics to show what the software and related work changes are delivering. Lacking relevant, credible proof points, these ERP projects become political footballs, tossed on a sea of opinion (not fact) and open to organizational savagery.

There are three simple steps ERP leaders must take to establish their proof points.

Action #1. Develop A Good Project Charter

A good project charter lays the foundation for your proof points, articulating the ERP project's promise to the business. We create three-part charters. Part One states the ERP team's goals, including quantitative and qualitative improvements. Part Two lists the steps the ERP team will take to achieve these goals. And Part Three states how the ERP team will know it has been successful. Charters are usually created through facilitated team sessions. All team members and project sponsors must explicitly endorse the charter. Done right, the charter provides a powerful compass for the ERP team, its leaders, and your business stakeholders.

Action #2. Use Smart WIP Metrics

We typically establish Work In Progress (WIP) metrics for our ERP project. WIP metrics summarize what the project team has accomplished and the business impacts achieved at regular intervals *during* the project. Most projects emphasize project metrics (look at what we are doing!) as opposed to impact metrics (look at what we have changed!). A more balanced approach delivers a considerably more compelling picture of progress, and--even better--forces the ERP team to find and implement Quick Hit business improvements during the project.

Action #3. Evolve Your Focus

Every ERP project requires time to succeed. During this burn-in period the ERP team must actively manage the people, process, and technology variables that determine project success. We recommend that you evolve your project metrics into a full suite of business metrics, typically driven off the enriched data generated by your ERP system and captured in a data warehouse, well before you Go Live. The trick here is ensuring that every analysis, metric, even every number contributes to, influences, or drives a specific, important thought or action. Measures that go nowhere—measurement for measurement's sake—are a proven route to irrelevance.

In closing, the path to ERP success is better understood than may be commonly portrayed. A case history of a successful ERP implementation follows.

ERP Implementation Case

Agilysys

Client: Agilysys (NASDAQ: AGYS) is a distributor and premier reseller of enterprise computer technology solutions, delivering complex servers, software, storage and services to resellers and corporate customers across a diverse set of industries. Annual revenues exceed \$2 billion.

Case: Meridian Consulting supported Oracle Consulting and Pioneer-Standard during Agilysys' implementation of Oracle Financials. This project included the implementation of Oracles' Release 11i General Ledger, Accounts Payable, Accounts Receivable, Financial Analyzer, and Cash Management modules.

Team: Led by a Meridian Director, averaged a level of support equal to 2 Full-Time Equivalent (FTEs) from October 2001 through February 2002. Implementation Management support was provided through the successful completion of the February 2001 Month-End Book Close.

Activities: Meridian provided program and change management support, including Business Planning and Impact Analysis, Requirements Definition, Change Communications, Change Skills Training, Job/Role Mapping and Alignment, Business Impact Analysis, Knowledge Transfer, Project Team Retention and Reintroduction Strategies, and the implementation of Meridian's proprietary risk management tool: the Readiness Quotient™.

Outcomes: Successful Go Live in February 2001 led to the following customer testimonials.

"I am delighted that we have successfully launched the Oracle Financials System, which will help take Agilysys into new, enhanced reporting and analysis."

President, Agilysys

"We have now successfully completed the replacement of a major information system. This was a critical step for Agilysys, and we have gained valuable knowledge and experience that will carry over to future system replacements and improvements. Most importantly, we proved that we were ready for change as an organization.

CFO & Project Sponsor

Meridian Role's: Comments on our role from key Agilysys and Oracle personnel follow.

"I am absolutely convinced this seven month, twelve million dollar project would not have been a success without Meridian's help. The key to our implementation, and yours, is people. Meridian has the skills, processes and experience to help prepare your people."

CIO, Agilysys

"Meridian's experienced staff combined with their proven methodologies helped us gain employee buy-in, which made for a smooth transition to the new financial system. One of the best decisions we made was to select Meridian to help us achieve our implementation goals."

SVP, Finance, Agilysys

"Normally, the Change Management team is off somewhere else doing something remotely related to the project -- you were an integral part of the project, with us every step of the way, and I could see the value of what you did."

Technical Lead, Oracle Consulting

A Note About Meridian Consulting

The first words you hear about Meridian should be from people who really know us.

We recently commissioned a survey of our clients, asking them to describe Meridian and to tell us why they choose to work with us. An independent marketing firm spoke with everyone from a long-tenured manufacturing client to a first-time retail client. Their answers follow.

“Describe Meridian.”

- “Fun, energetic, flexible, got to know our business, trustworthy.”
- “Innovative consulting practice really focused on managing risk & process improvement; robust methodology; they transfer their knowledge and methodology to us.”
- “Customer focused, friendly, strong values, integrity, great follow-up, they value our relationship.”

“Why did you choose to work with Meridian?”

- “Had obvious track record with a number of companies and industries and they were able to strike the right relationships with our key execs.”
- “They had the tools, but they also became a thinking partner; they provided expertise.”
- “Needed someone to get their hands dirty; they really do.”

Meridian’s Implementation Management program ensures the success of ERP implementations. Our Implementation Management program:

- Sets the stage for the ERP implementation.
- Manages people and process risks during the implementation.
- Accelerates the organization’s transition to new processes and jobs.
- Ensures the timely realization of business benefits.

“The smartest thing we did during our ERP implementation was to hire Meridian.”

“An innovative consulting practice really focused on managing risk.”

Our Implementation Management approach uniquely addresses the risks that compromise implementation success. This focus on implementation risk has substantial impact on the time, effort, and resources consumed by complex change projects.

“Since Meridian has been involved, our implementation has been painless.”

Our Implementation Management methodology reflects the insights and experiences we have gained from our support of ERP implementations in the manufacturing, service, technology, and retail/distribution industries.

“They had the tools, but they also became our ‘thinking partner.’”

Since 1996, Meridian has supported the full-range of ERP technologies, including implementations of Oracle Applications, SAP, PeopleSoft, J.D. Edwards, Retek, Baan, and diverse other solutions.

“Because of their knowledge of ERP, they have a more hands-on approach to change management.”

Because of our ERP expertise, Meridian was chosen by SAP AG to create SAP’s global standard for change management in 1997. We licensed a version of our change management methodology to SAP AG and embedded this methodology into Version 4.7 of SAP’s Accelerated SAP (ASAP) implementation Roadmap. SAP continues to offer Meridian’s change management methodology as an integrated component of all of SAP’s implementation roadmaps, including its ASAP, Global ASAP, and ValueSAP methodologies.

Meridian has a proven commitment to knowledge transfer. Working side-by-side, we grow our clients’ ‘change competency’ through hands-on learning. Together, we produce a detailed, tailored template that our clients use to lead their future Implementation Management programs.

“The best at knowledge transfer I’ve seen, and we’ve worked with everybody.”