LESSONS LEARNED FROM FAILED ERP IMPLEMENTATIONS

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Agenda

1. Brief Introduction of Panorama Consulting
2. Purpose of the Webinar
3. Typical Results of Failed ERP Implementations
4. Eight Lessons Learned
5. Summary of Lessons Learned
6. Questions and Answers
About Panorama Consulting Solutions

Niche consulting firm with focus on the ERP market

Our service offerings include:
- ERP Software Evaluation and Selection
- ERP Implementation Project Management
- ERP Organizational Change Management and Benefits Realization
- IT Staffing and Support
- Application Development

Experience with 150+ ERP packages

Depth in targeted industries, including manufacturing, distribution, financial services, and the public sector

ERP Vendor Independent and Neutral
Some of Our Clients

ACCURIDE CORPORATION

Cook County

 AXCESS FINANCIAL

BOEING

ASHCROFT

Buckman

Champion WINDOWS • SIDING • PATIO ROOMS

Coldwater Creek

Just Born

Kimberly-Clark

HOOKER FURNITURE

PANORAMA BUILDING PRODUCTS

PINNACOL ASSURANCE

Pirate’s Booty: Get Hooked!

MARYLAND

STEREN
Some of the 150+ different ERP software packages we have evaluated and implemented for our clients.
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Purpose of this Webinar

• To learn from mistakes made by companies that experienced failed ERP implementations
• To understand how failed ERP results compare to global implementation benchmarks
• Provide guidance on not only how to avoid failure, but also how to make ERP initiatives successful
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ERP Failure Case Study: Marin County

• County scrapped ERP (SAP) implementation after investing $30M in the project

• County is suing their SAP system integrator (Deloitte)
  – Alleging fraud and misrepresentation during sales process in 2004
  – Alleges that Deloitte’s consultants were inexperienced and that the software had a high error rate

• Deloitte is counter-suing for unpaid consulting fees
How Marin County’s ERP Project Compares to Other ERP Implementations

<table>
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<tr>
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<th>Average ERP Implementation</th>
<th>Marin County Results</th>
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<tbody>
<tr>
<td>Implementation Duration</td>
<td>18.4 months</td>
<td>36 months</td>
</tr>
<tr>
<td>Implementation Cost</td>
<td>$6.2M</td>
<td>$30M</td>
</tr>
<tr>
<td>Cost as % of Sales/Rev</td>
<td>6.9%</td>
<td>8-9%</td>
</tr>
<tr>
<td>% of Potential Benefits Realized</td>
<td>39%</td>
<td>?</td>
</tr>
<tr>
<td>Management ERP “satisfaction” level</td>
<td>71%</td>
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Source: Panorama’s 2010 ERP Report
Three-year study of over 1,600 ERP implementations across the globe
Other Notable ERP Failures in Recent Years

- Waste Management
- Overstock.com
- Signal International
- Hershey
- Shane Company
- Lumber Liquidators
- Many others
Top ERP Implementation Challenges

Source: Panorama’s 2010 ERP Report
Three-year study of over 1,600 ERP implementations across the globe
Key Lessons Learned from Failed Implementations

Define clear project goals
Clear business rqmts
Choose the right software
Set realistic expectations
Involve employees and users
Develop processes & workflows
Manage scope and cost
Manage business benefits
Lesson #1: Define Clear Goals for ERP

• Establish sense of purpose and goals
• Ask “Why do we want to implement ERP?”
• Often, technical purpose and goals are inadequate – should be business-focused
• Identify and quantify opportunities for improvement
• Don’t be afraid to say no to ERP
  – Consider optimizing what you already have
  – Evaluate cost vs. benefits of new ERP solution
Lesson #2: Clearly Define Business Requirements in Detail

• Should be completed prior to evaluation and selection of a vendor
• Focus on current processes (“as-is”) and identify opportunities to improve (“to-be”)
• Prioritize requirements that are core competencies (“deal-breakers”)
• Involve employees and key stakeholders in this process
Lesson #3: Choose the Right Software

- Any project can fail, even if it is the right software choice
- In extreme circumstances, it is usually a case of force-fitting a solution that simply doesn’t meet business requirements
- Differentiate between ability to meet business requirements and software vendor sales hype
- Avoid choosing ERP solutions based strictly on competitor or software bandwagons
Lesson #4: Set Realistic Implementation Expectations

• Remember that during selection, sales reps are trying to sell, not set realistic expectations.
• Benchmark to other projects to define a realistic implementation plan and budget.
• Don’t forget to address non-technical resource needs that are critical to ERP success:
  – Organizational change management & training
  – Business process workflow definition
  – User acceptance
  – Business process simulation and testing
Lesson #5: Involve Employees and Key Users

• ERP affects an entire organization and should consider input from those that know the business best
• ERP should be a business initiative rather than a technology project
• The most effective implementations have heavy user involvement through the project lifecycle:
  – Evaluation and selection
  – Process and workflow definition + system design
  – Testing
  – Go-live support
Lesson #6
Develop Thorough Business Processes and Workflows

• Don’t assume the software can handle everything off-the-shelf
• Define gaps between as-is and to-be processes, focusing on opportunities to leverage best practices
• Define business processes and workflows, not just system-level transactions
• Identify the human aspects of how jobs and business processes will change
• Clearly communicate changes to employees
• Build training activities around business processes, not system transactions
Lesson #7
Diligently Manage Scope and Cost

• Identify strong internal and external project team members
• Ensure the team has strong ERP experience
• Carefully manage the software vendor
  – There can be competing priorities
  – Companies generally want to finish the project on-time and on-budget, but software vendors earn more revenue the longer it takes
  – Consider independent oversight and validation
• Prioritize and manage software customizations
Lesson #8
Manage Business Benefits

• If you don’t measure it, you won’t achieve it
• Establish post-implementation performance improvement targets, based on business case
• Conduct post-implementation audits and make adjustments as necessary
• Don’t expect that all projected business benefits will be achieved right away
• Initial post-implementation audits tend to focus on working out kinks in business processes
• Continuously improve processes where possible
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## How Average ERP Projects Compare to Panorama Client Implementations

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Source: Panorama’s 2010 ERP Report
Three-year study of over 1,600 ERP implementations across the globe
Summary of Lessons Learned

• ERP can deliver huge benefits to organizations, but it needs to be managed effectively
• Most ERP failures could have been avoided
• Most ERP implementation challenges are related to business and human issues, not technology
• Misalignment of expectations is often the first domino to fall early in a disastrous project
Learn More in ERP Boot Camp

• Intense and collaborative 3-day training session
• Focus on ERP implementation tools and methods
• March 14-16, 2012
• Denver, Colorado
• Early Registration Discount Expires 1/31/12
  (A $700 Savings!!!)
• http://panorama-consulting.com/services/complementary-erp-consulting-services/erp-boot-camp/
Questions?

Our Next Webinar:
“Review of Panorama’s 2012 ERP Report”
on Thursday, February 2, 2011
http://www.panorama-consulting.com/erp-webinars/

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