



# Implementation Methodologies: Improving ERP Success?

Koos du Plessis  
November 2011

# Agenda

1. Background
2. ERP Solutions
3. ERP Failures
4. Critical Success Factors
5. Implementation Methodologies
6. Research Results
7. Conclusion

# 1. Background

- ▶ 10 years experience as ERP project manager
- ▶ Research for MBA dissertation
  - ▶ Literature review
  - ▶ Empirical research with data collection via online questionnaire

## 2. ERP Solution

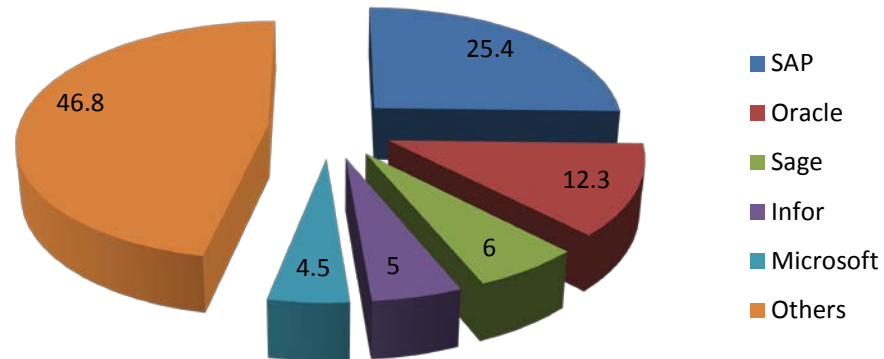
- ▶ ERP solution are widely used
- ▶ 70% of the Fortune 1000 companies have implemented an ERP solution in some form<sup>1</sup>
- ▶ Global ERP market will reach \$45.5billion in 2011<sup>2</sup>

<sup>1</sup> Bingi et al., 1999, Ehie and Madsen, 2005, Shepherd et al., 2009

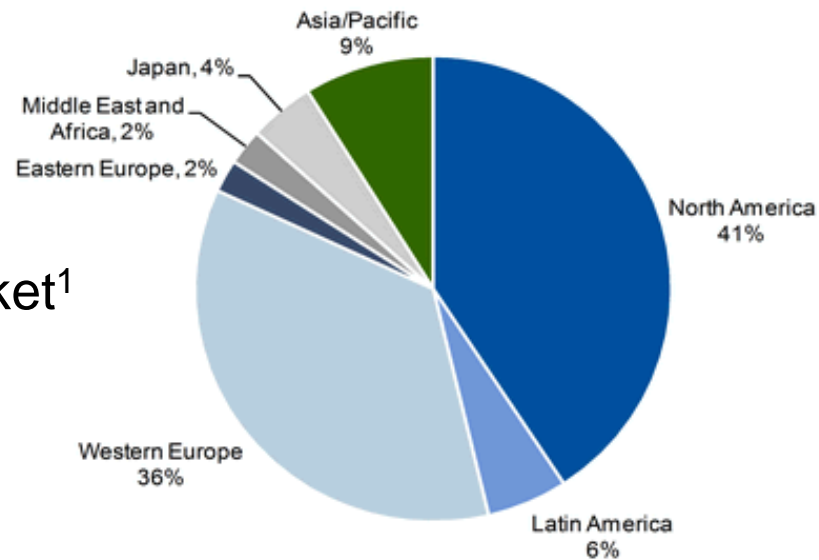
<sup>2</sup> Forrester

## 2. ERP Solution

### ▶ ERP market share<sup>1</sup>



### ▶ ERP global market<sup>1</sup>



<sup>1</sup> Gartner 2011

## 3. ERP Failures

- ▶ ERP projects cost many millions, failures can be very expensive
- ▶ Even though ERP is well established and the huge market, examples of failures are not hard to find:
  - ▶ **Dell** – abandoned their ERP project after 2 years and \$ 200 million spent
  - ▶ **Waste Management** – aborted their ERP project after spending \$ 45 million of a \$ 250 million budget in 2008
  - ▶ **Nike** – inventory problems from their ERP implementation resulted in a profit loss of \$ 100 million in the third quarter of 2000

### 3. ERP Failures

- ▶ The **University of Cambridge** (UK) - Considered possible legal action against Oracle and KPMG Consulting for a faulty computer system that the university estimates it spent \$ 13 million installing
- ▶ **Dorset County** - Some workers claimed a job which previously only took a minute was now taking an hour on the SAP solution. The system still has to shut down a few days each month to allow data to be processed
- ▶ **Phakama** (City Council of Johannesburg) – R 600 million for a new SAP-based billing system. A total of 65,000 account holders were negatively affected

## 4. Critical Success Factors

- ▶ Critical Success Factors, or CSFs are those key areas where 'things must go right' for the implementation to be successful<sup>1</sup>
- ▶ Common term used in relation to IT projects
- ▶ Large amount of research done on CSFs, including CSFs for ERP projects

<sup>1</sup> Xue et al., 2005

## 4. Critical Success Factors

► Based on the review of 30 CSF-related articles, the top 10 ERP CSFs are:

1. Team composition and teamwork
2. Top Management Support
3. Project Management
4. Interdepartmental cooperation and communication
5. Business plan and vision
6. User involvement / training
7. Change management
8. Project champion / empowered decision makers
9. Software development, testing, troubleshooting
10. Vendor support

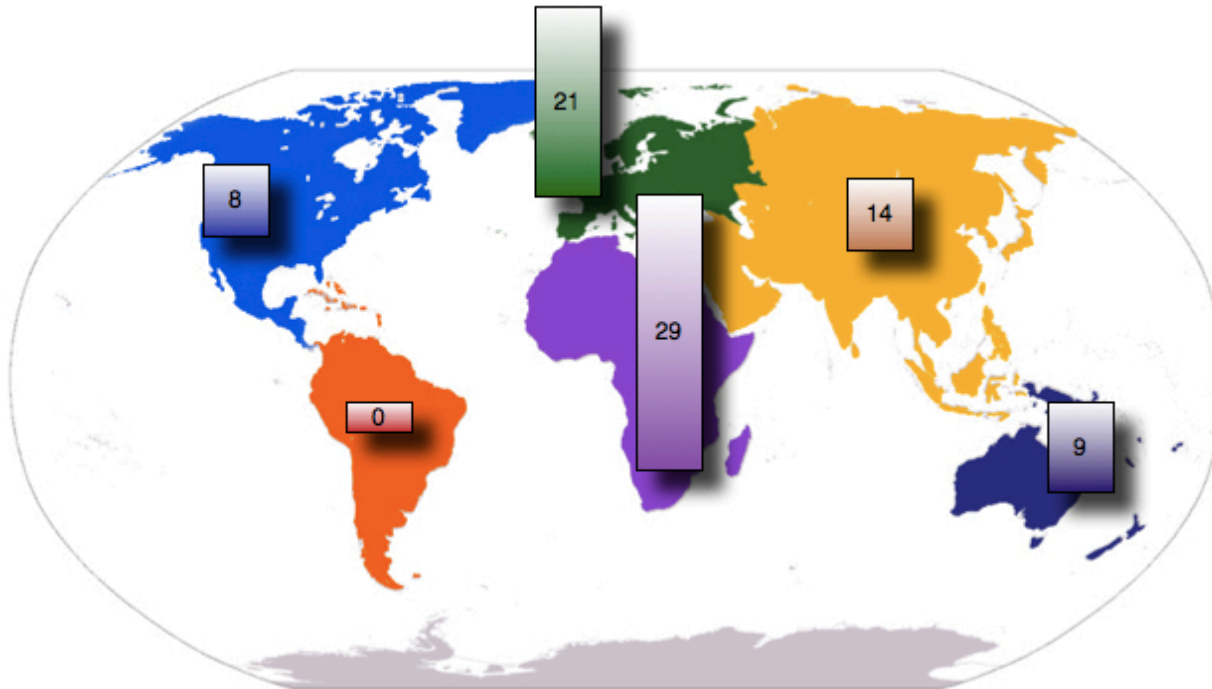
## 5. Implementation Methodologies

- ▶ An ERP implementation approach or implementation methodology are those predefined steps that make up the 'recipe' to implement an ERP solution
- ▶ ERP implementations are mostly done by a consultancy (80%), followed by the ERP vendor themselves (40%) and thirdly by the hardware vendor (20%)<sup>1</sup>
- ▶ Typical ERP methodologies include:
  - ▶ SAP's Accelerated SAP (ASAP)
  - ▶ Oracle Unified Method (UOM), previously AIM
  - ▶ Peoplesoft's Compass
  - ▶ JD Edwards' OneMethodology
  - ▶ SureStep methodology used by Microsoft for their Dynamics ERP
  - ▶ SSA Global's One Point
  - ▶ Infor's FastStart

<sup>1</sup> Kumar et al. (2002)

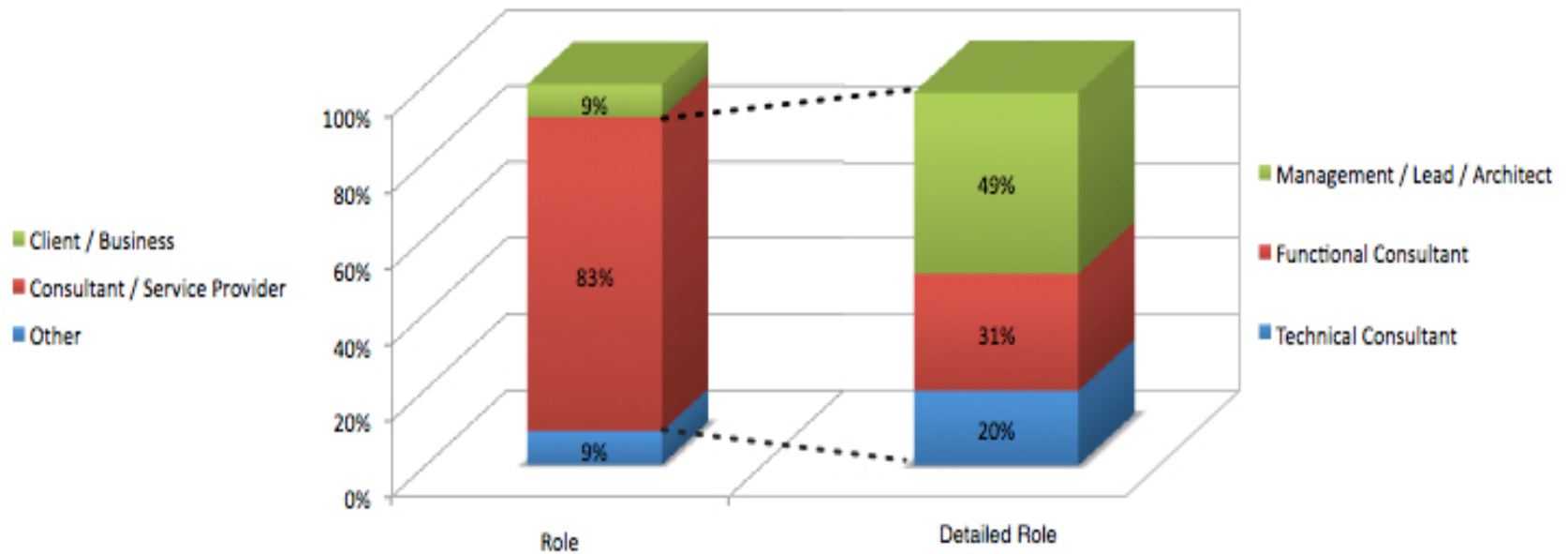
## 6. Research Results

### ► Questionnaire respondents



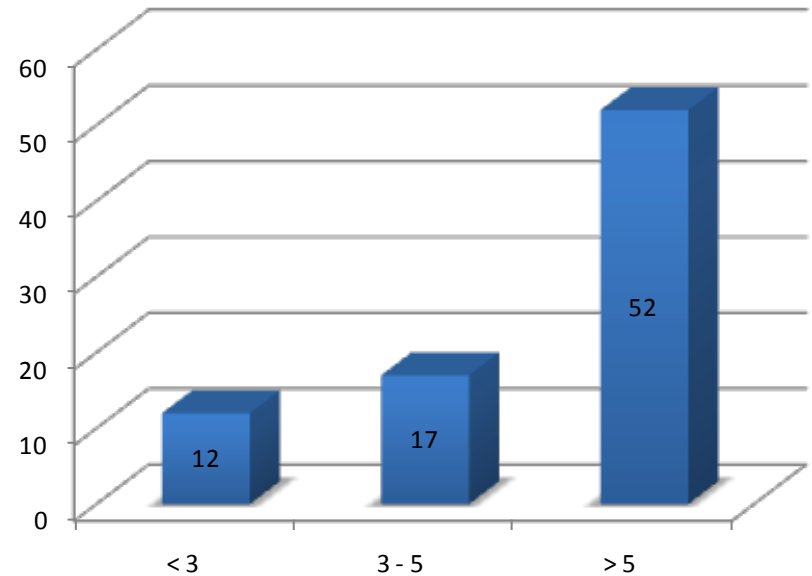
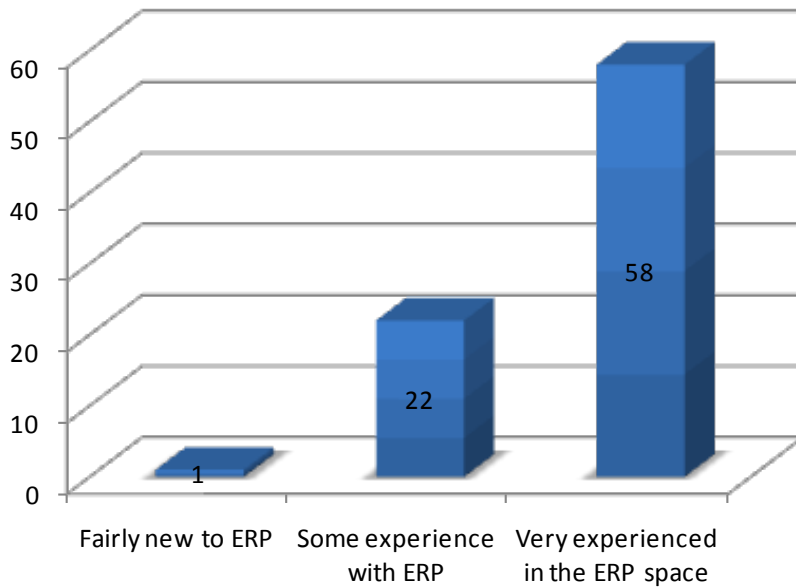
# 6. Research Results

## ► Respondents' profile



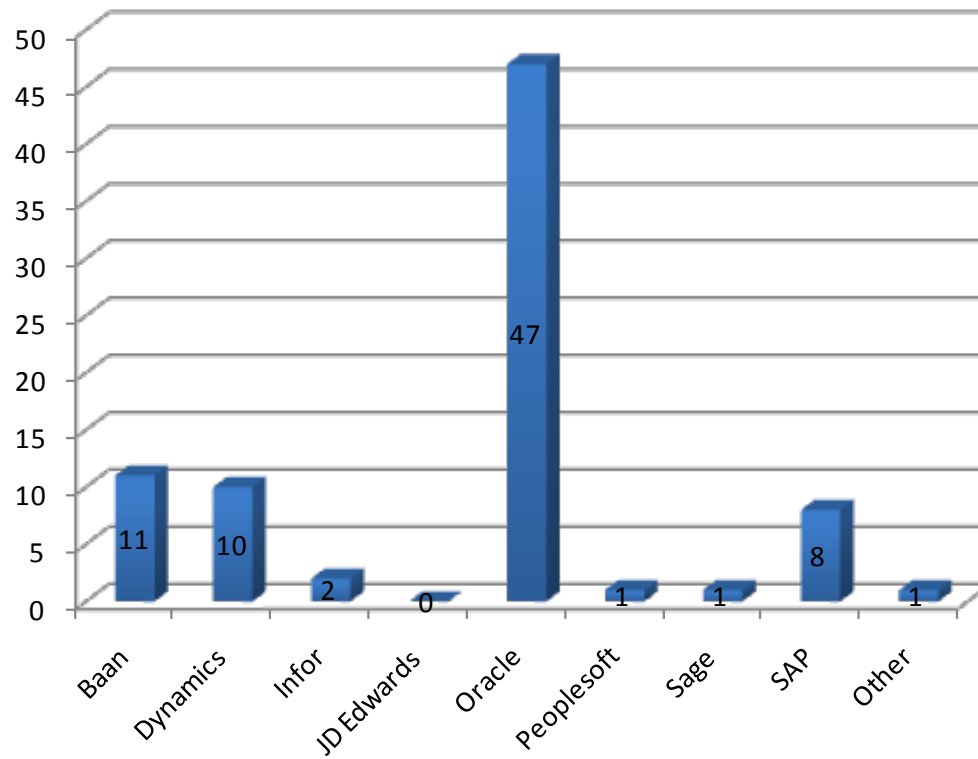
# 6. Research Results

## ► Respondents' ERP experience



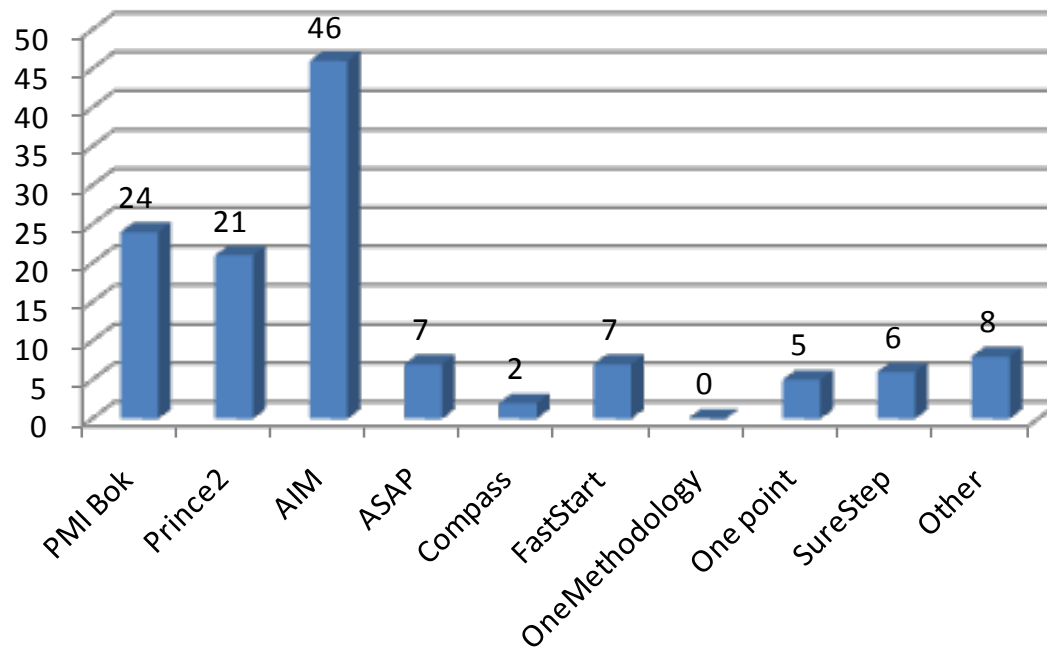
# 6. Research Results

## ► Respondents' ERP background



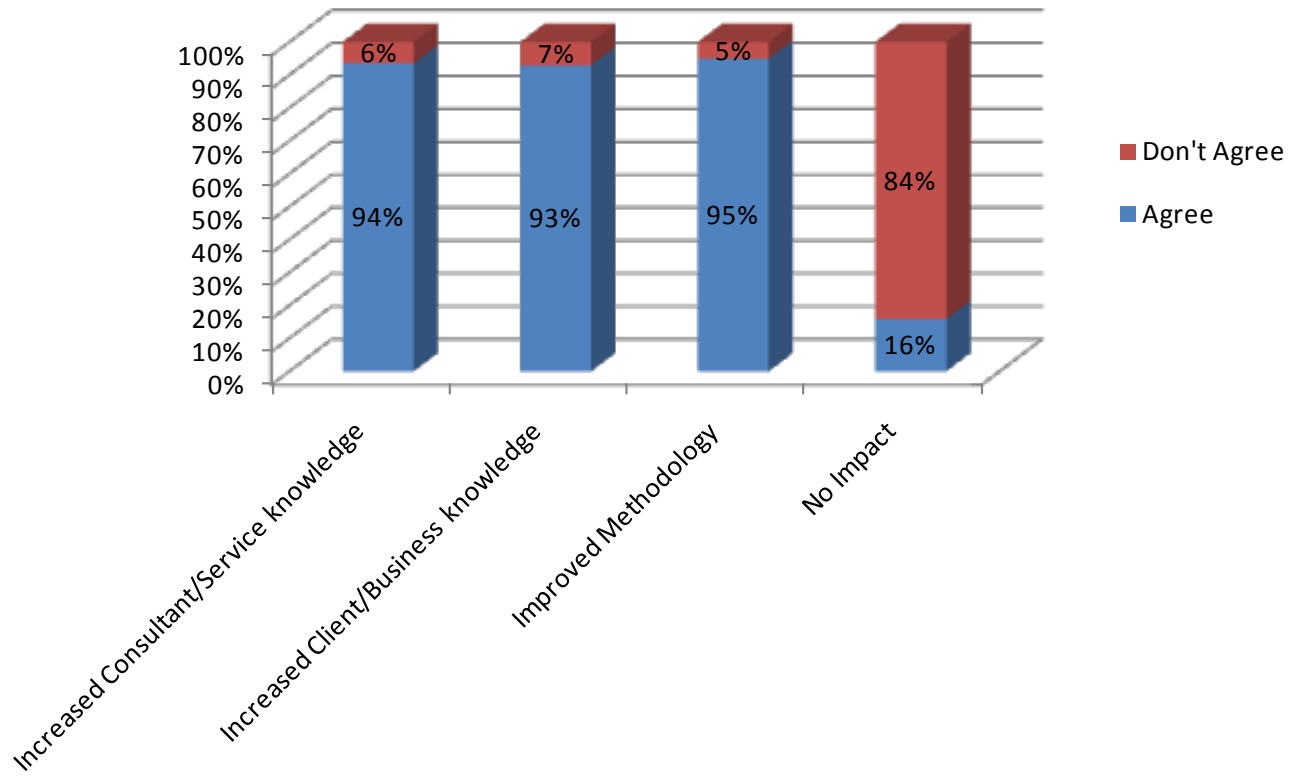
## 6. Research Results

### ► Respondents' implementation methodology background



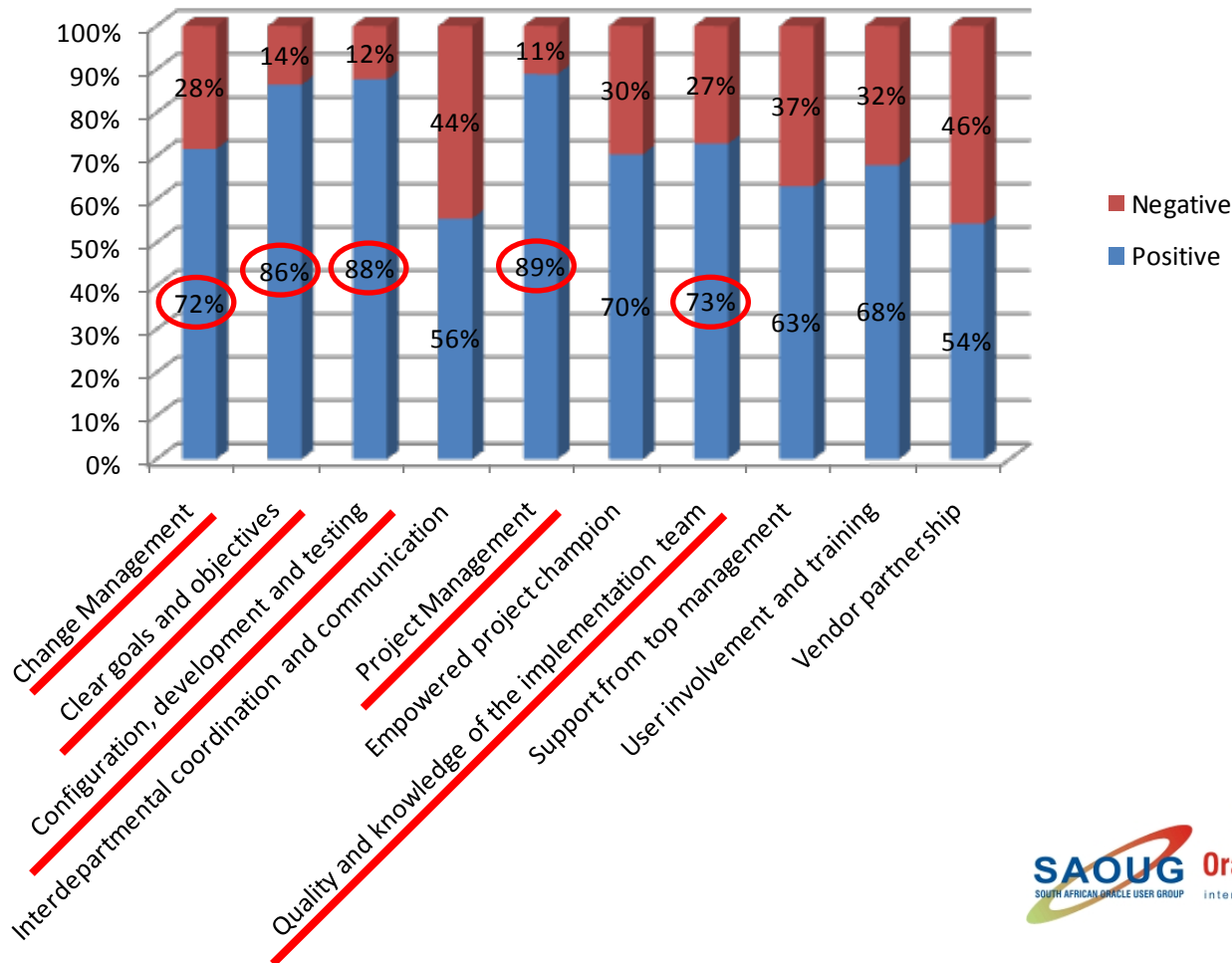
## 6. Research Results

- ▶ How could the implementation methodology positively impact the success on an ERP project?



# 6. Research Results

- Could the use of an implementation methodology impact the common CSFs?

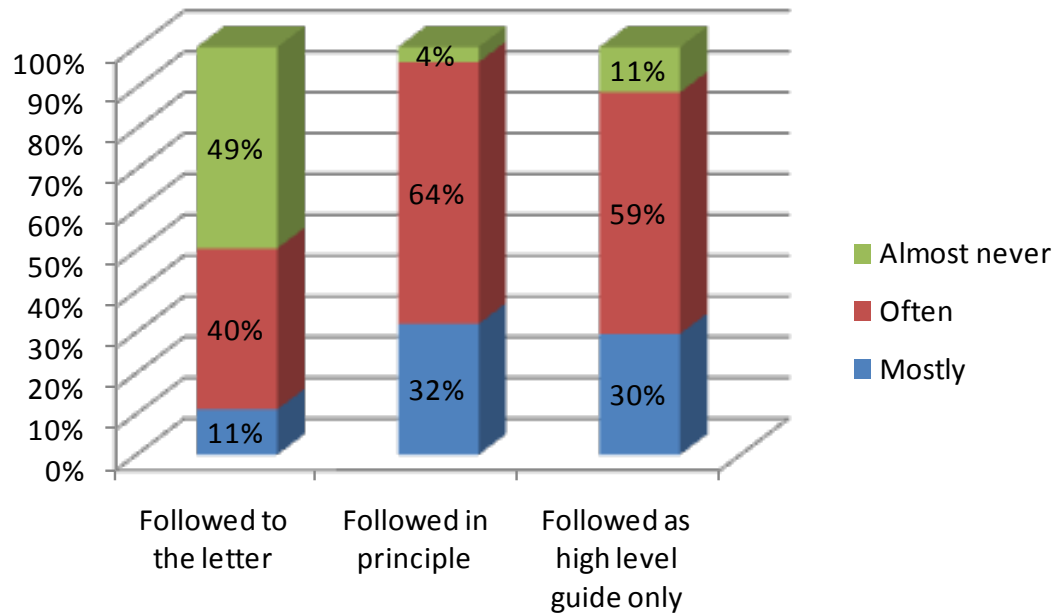


## 6. Research Results

- ▶ Research provides a clear indication that the use of implementation methodologies could increase the success of an ERP project?
- ▶ Surely all projects use a implementation methodology?

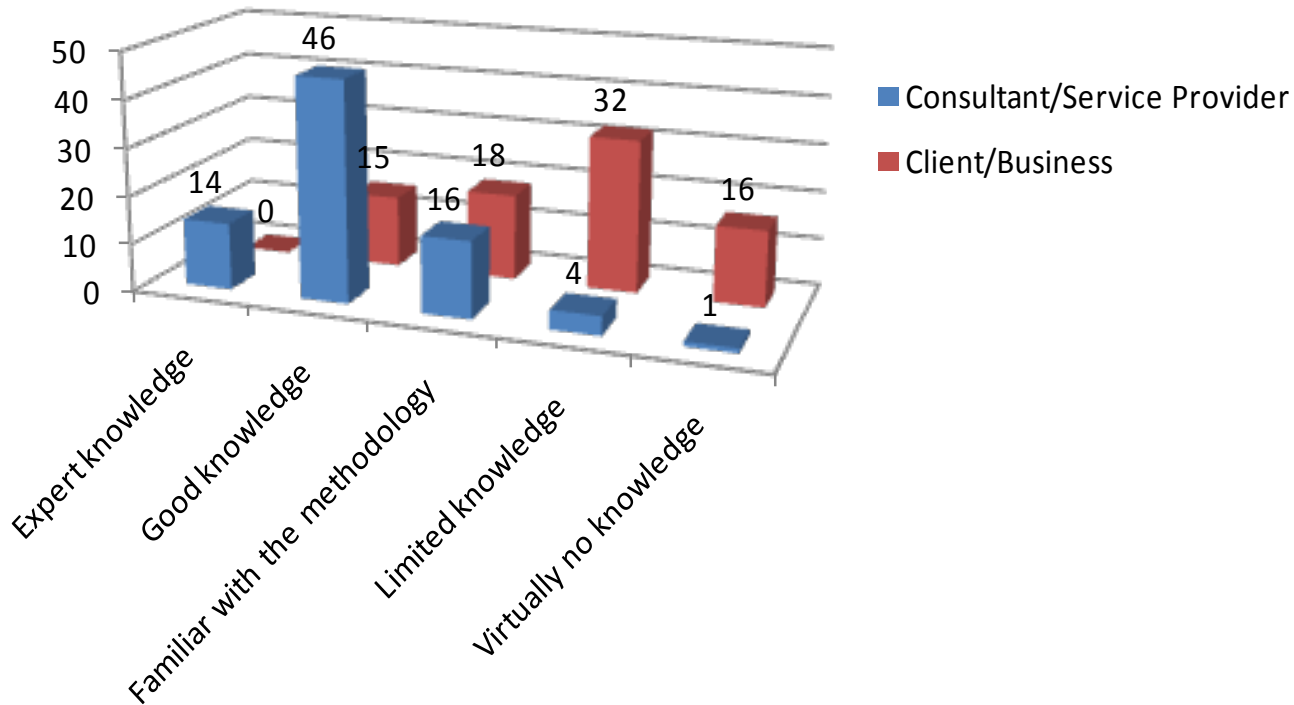
# 6. Research Results

## ► Use of implementation methodologies



# 6. Research Results

## ► Knowledge of the implementation methodology



## 6. Conclusion & Recommendation

- ▶ ERP implementation methodologies can positively impact the success of an ERP initiative
- ▶ Relative low level of knowledge relating to the implementation methodology
  - ▶ insist on training on the methodology itself
  - ▶ both implementation team and business team to be trained
- ▶ Implementation methodologies are not used to the letter of the manual
  - ▶ formally agree on the project which components of the methodology will be used and which will be ignored
  - ▶ Sir Douglas Bader said:  
***'Rules are for the guidance of wise men and the obedience of fools'***



# Thank you

► Any questions?