



# AFCEA InfoTech 2007

## ERP Business Transformation

**October 24, 2007**

**Presented by**

**Mr. David Deakin**

**— Exhibit Booth #129 —**





# Meet Your Speaker

**Mr. David Deakin is a Vice President and IV&V Practice Leader for Lighthouse Technologies, Inc.**

**David has over twenty-five years experience in Information Technology, including more than 16 years as a strategic leader of global IT teams, and over 20 years as project leader for major international COTS deployments.**

**He is currently working as a Subject Matter Expert on two large Air Force IV&V assessments.**





# ERP Business Transformation

**In a recent industry survey<sup>1</sup> concerning ERP deployment performance, it was reported that 46-percent of the participants noted that while their organization had an ERP system in place, or was implementing such a system, they did not feel their organization could use the system to *improve the way they conduct business.***

**Information collected from Lighthouse Technologies' experience providing independent assessments of large scale ERP programs confirms that although the technical and management challenges of these implementations can be significant, the greatest barrier to achieving business benefits remains the ability of the organization to transform its people and processes to effectively leverage the many features, functions and integration capabilities available in the ERP software. This presentation focuses upon the critical success factors and major failure drivers that need to be considered as you ready your organization for ERP Business Transformation.**



<sup>1</sup> Robbins-Gioia survey



# Agenda

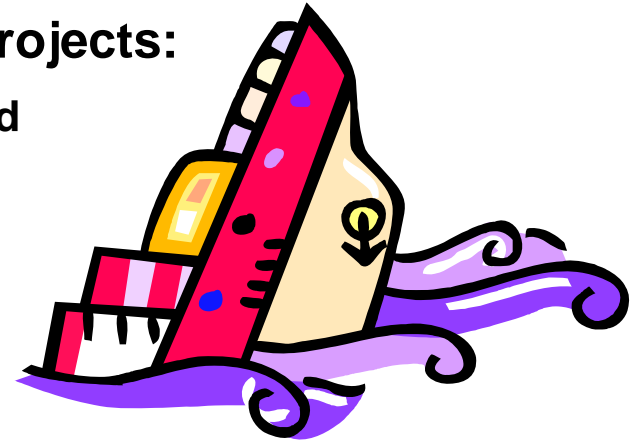
- **Context for ERP Business Transformation**
  - Why are we talking about this subject?
  - What is going wrong?
  - What needs to change?
  - Why aren't we addressing these changes?
- **How do you perform Business Transformation?**
  - Understanding the Three Components:  
People, Process and Technology
  - “As Is” to “To Be” models - Understanding the Critical “Gaps”
  - Expectation Setting – The Forgotten Success Factor
- **Conclusions, Take-Aways and Q&A**



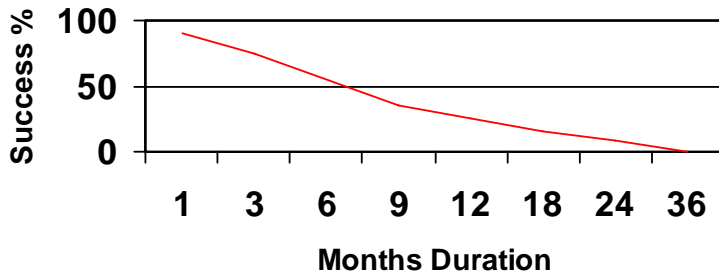
# Why are we talking about this subject?

## The Gory Facts About COTS Integration Projects:

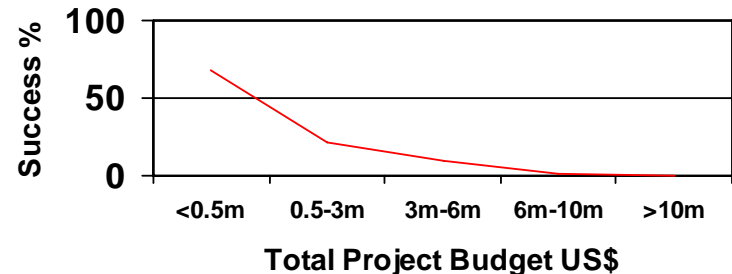
- Only 34% of ERP implementations succeed with full functionality, within forecast cost and time frames; <sup>(1)(3)</sup>
- Cost overruns average 43%; <sup>(1)</sup>
- Schedule overruns average 82%; <sup>(1)</sup>
- Implemented functionality averages 52% of what was desired.<sup>(1)</sup>



Success v. Project Duration (1)



Success v. Project Budget (2)



(1) Chaos Report - 2002, The Standish Group. (2) ChAOS in the new millennium, 2000, The Standish Group. (3) Within 10% of budget/schedule



**COTS Integration Projects are Challenging!  
Large Programs are Really Challenging!!**



# What is going wrong?

| Top 5 factors for Failure (1)            | Weight of Influence |
|--|---------------------|
| Limited or no user involvement           | 20                  |
| Limited or no executive support          | 15                  |
| Lack of clear business objectives/reqmts | 15                  |
| Inexperienced project management         | 15                  |
| Long spirals/large milestones            | 10                  |

(1) Data from the report: ChAOS in the new millennium, 2000, The Standish Group.



The top 5 factors for failure make up 75% of the influence.  
None of these factors are technical ERP challenges.



# What needs to change?

- **According to an ongoing ERP user survey<sup>1</sup>:**
  - 38% of respondents find executive support and buy-in to be the most important factors in ERP success
  - 8% attribute success to strong program management
  - 8% attribute it to organizational change management and training
  - 8% attribute it to a focus on business processes
- **The other 38% feel that all of the above are critical to successful ERP projects**

1: Panorama ERP Benchmark Study, 2007



None of the benchmarks we reviewed identify technical ERP issues as primary drivers for failure.



## What does the ERP community consider critical key factors for success?

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1: Panorama Consulting Group 2007



These are business transformation factors



# Conflicting Direction

**If studies tell us where the factors are,  
why don't we just address them?**

"You will bring this in on time.."

"I've made a personal commitment  
to ..*my boss*.. that this will happen.."

"I don't care what it costs, get it  
done"



"Getting it right is more important  
than how long this takes"

"Let's not mention those issues right  
now to the boss - she will probably  
forget that we promised that anyway"

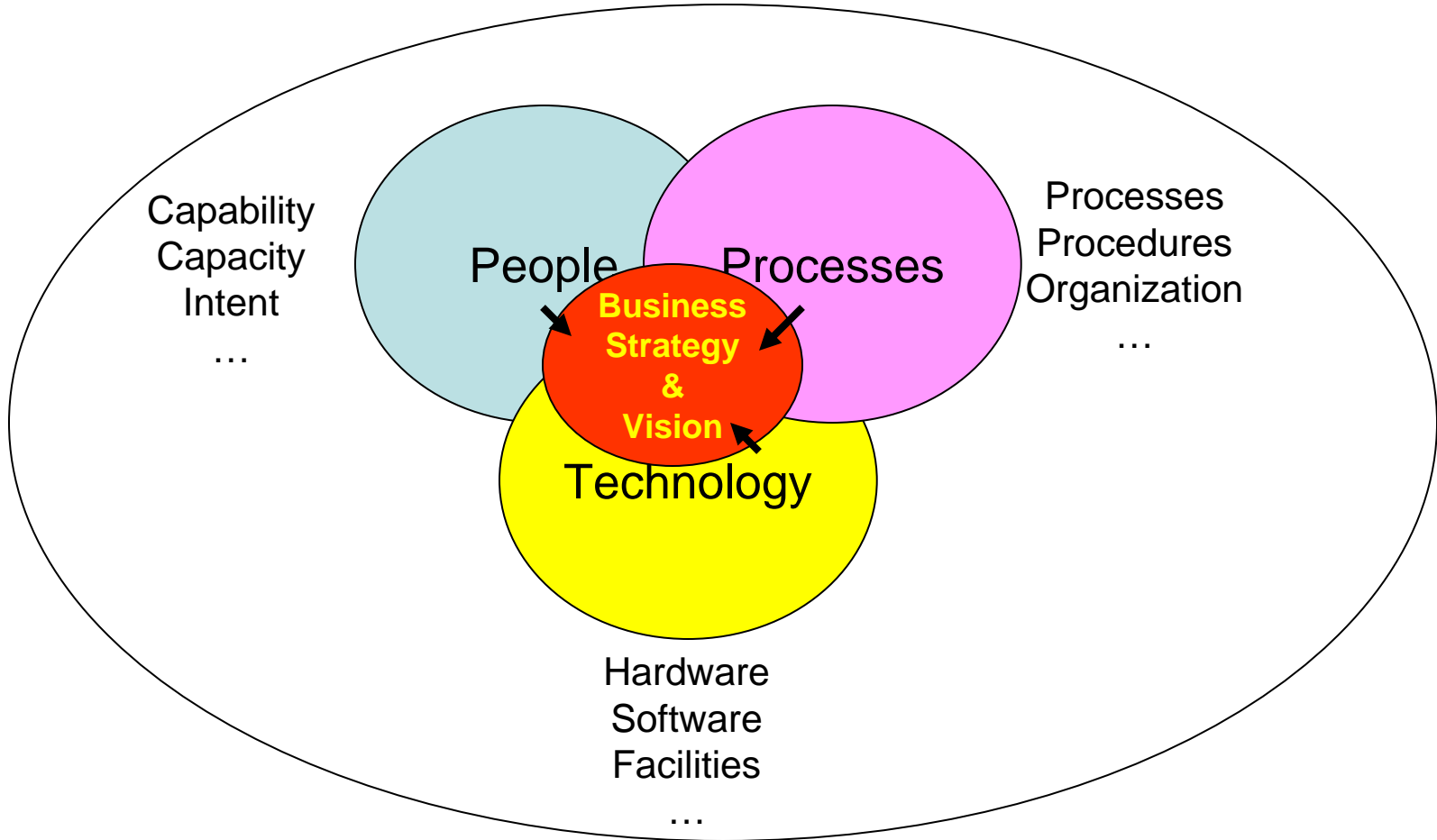
"There is no more money in the pot -  
so don't come back and ask for any  
more"



Commonality of goals is tough enough ("What"),  
but agreement on "How" to get there is even more elusive



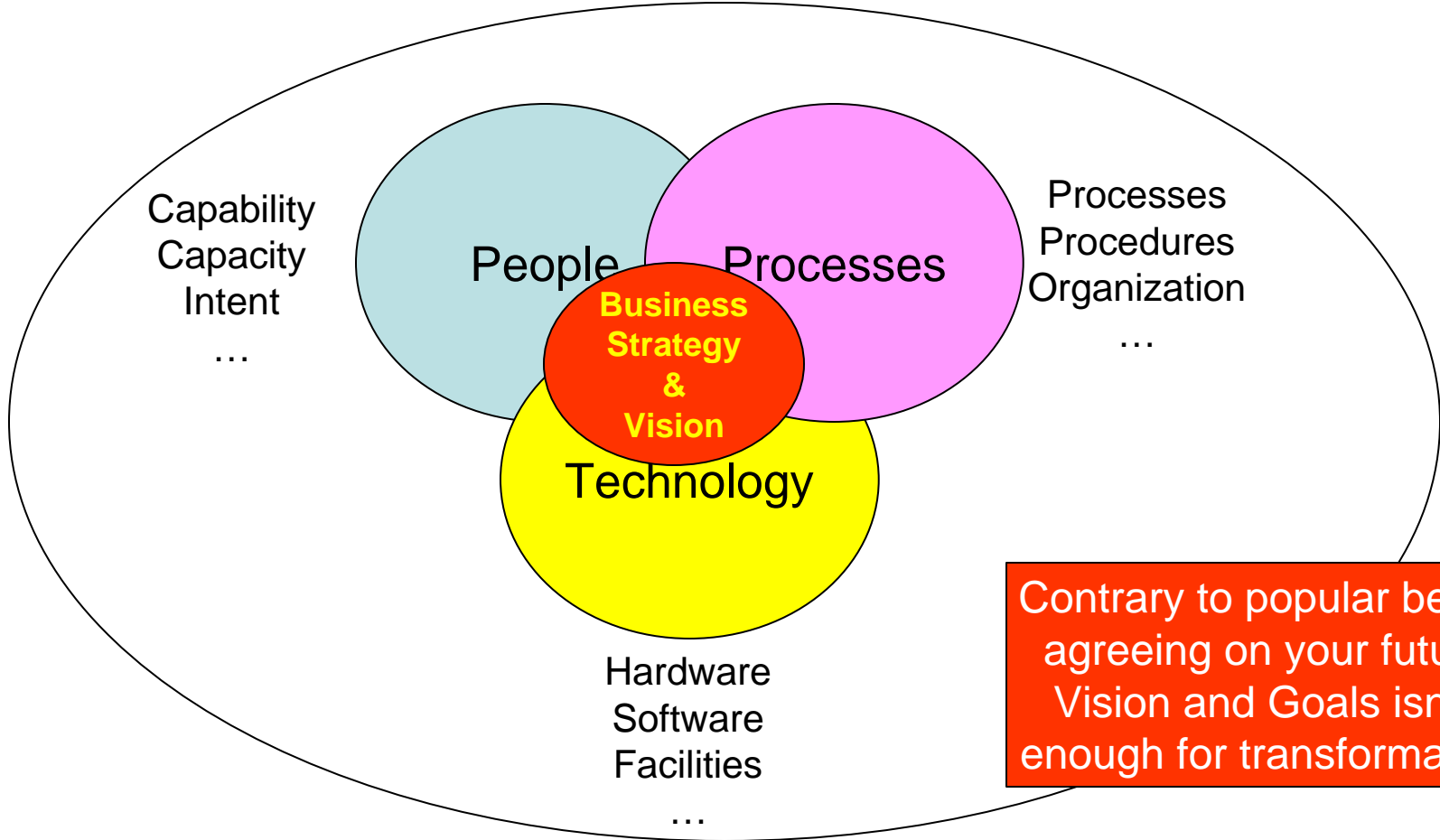
# Connecting the “How” to the “What”



You can't separate *what* you are trying to achieve from *how* you intend to achieve



# Connecting the “How” to the “What”



Contrary to popular belief,  
agreeing on your future  
Vision and Goals isn't  
enough for transformation

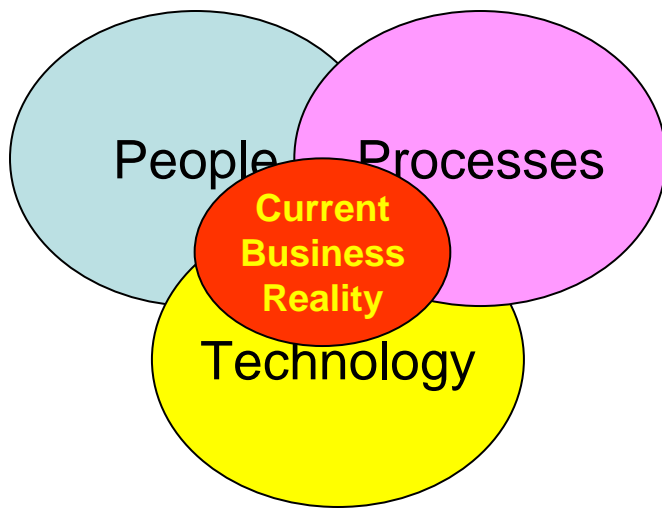


Business Transformation is a “Journey”

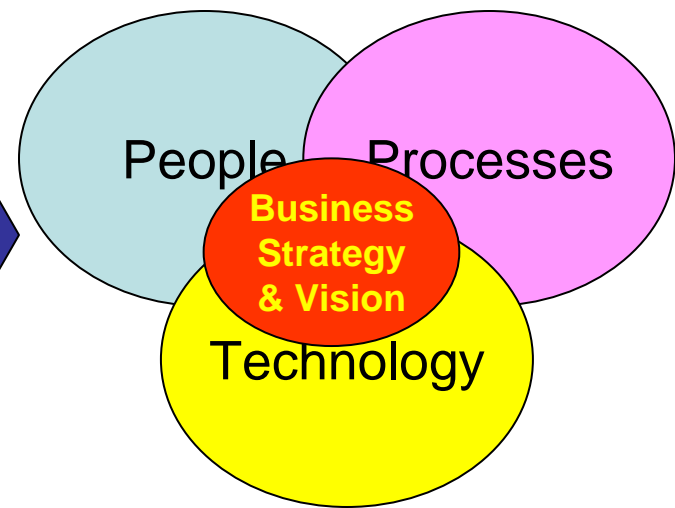


# Transformation: Getting from Current Reality to Future Vision

## “As Is” Model



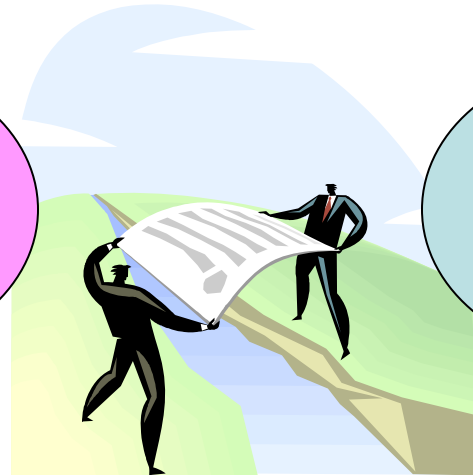
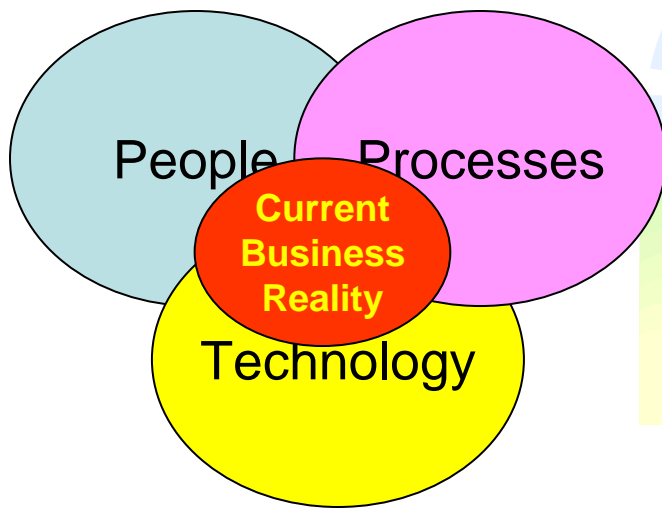
## “To Be” Model





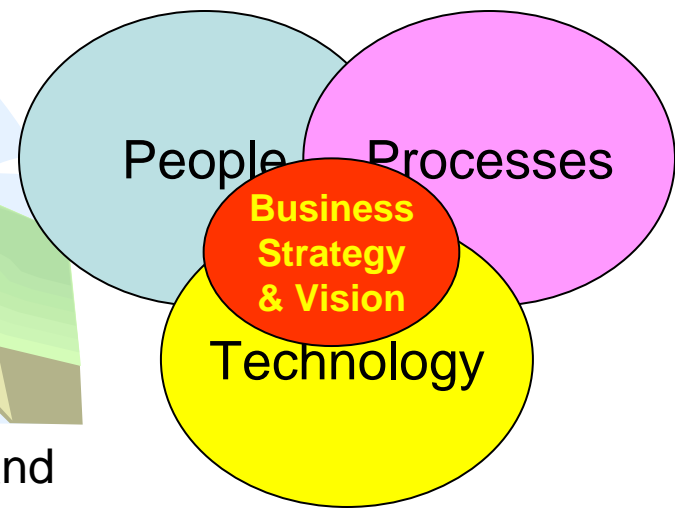
# Transformation: Understanding and Bridging the Gaps

## “As Is” Model



Understanding and Bridging the Gaps

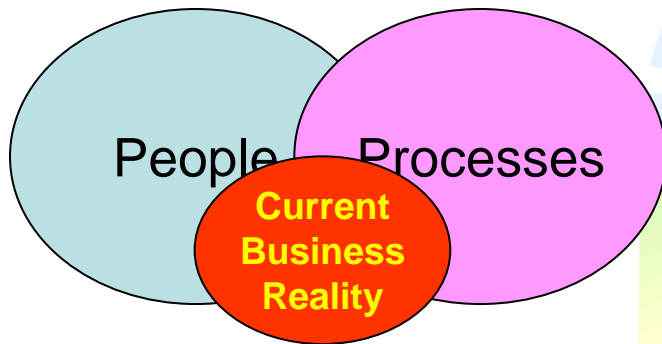
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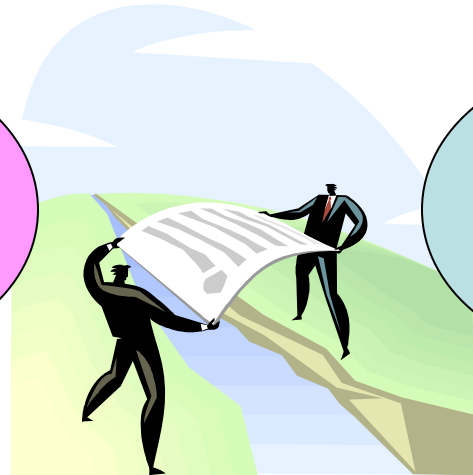
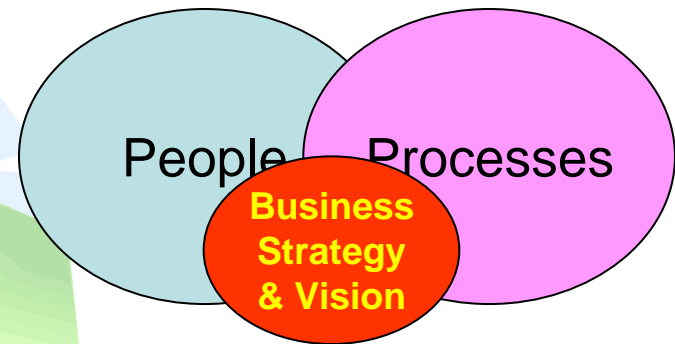


# Transformation: Understanding and Bridging the Gaps

## “As Is” Model



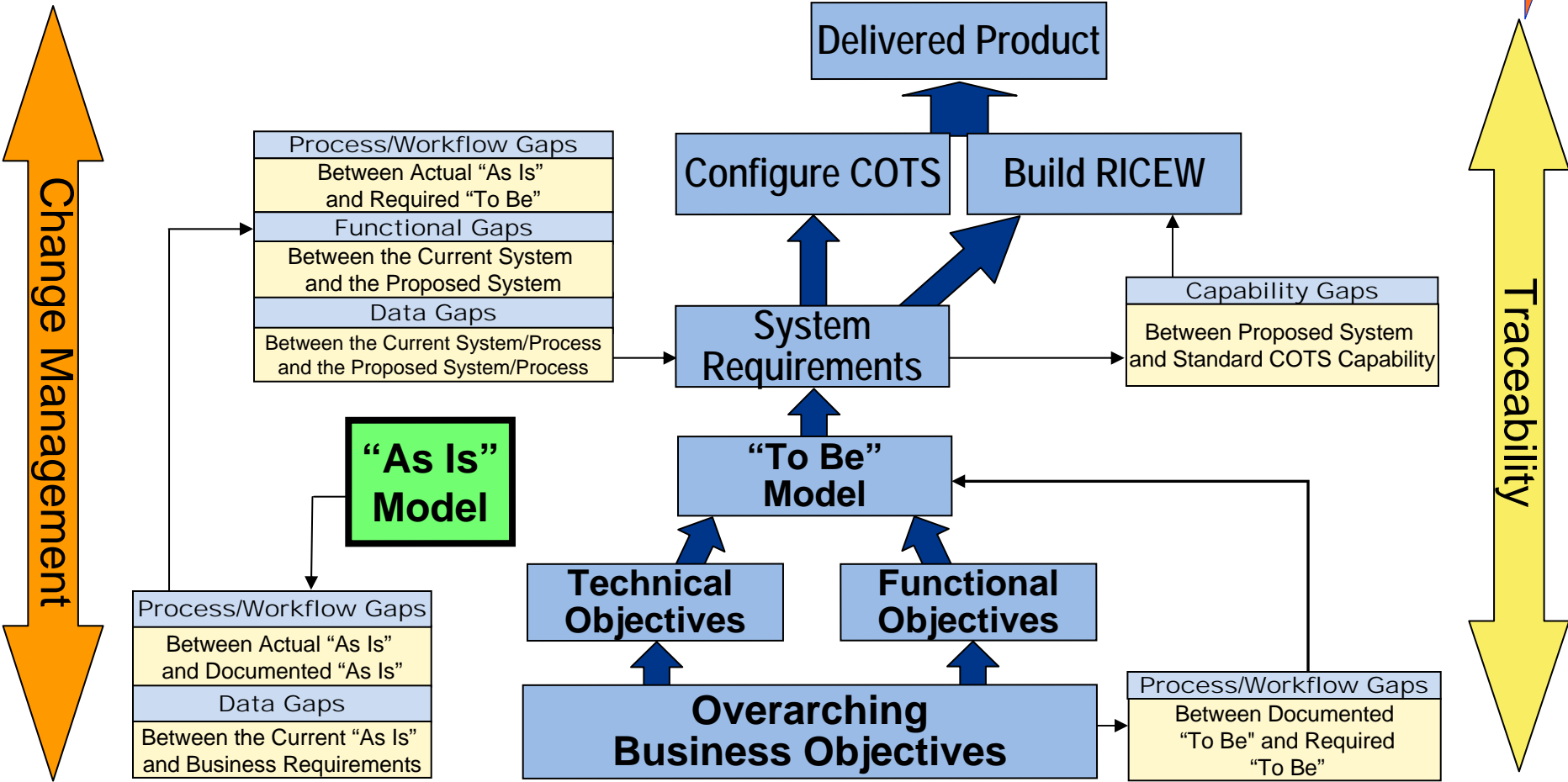
## “To Be” Model



Understanding and Bridging the Gaps



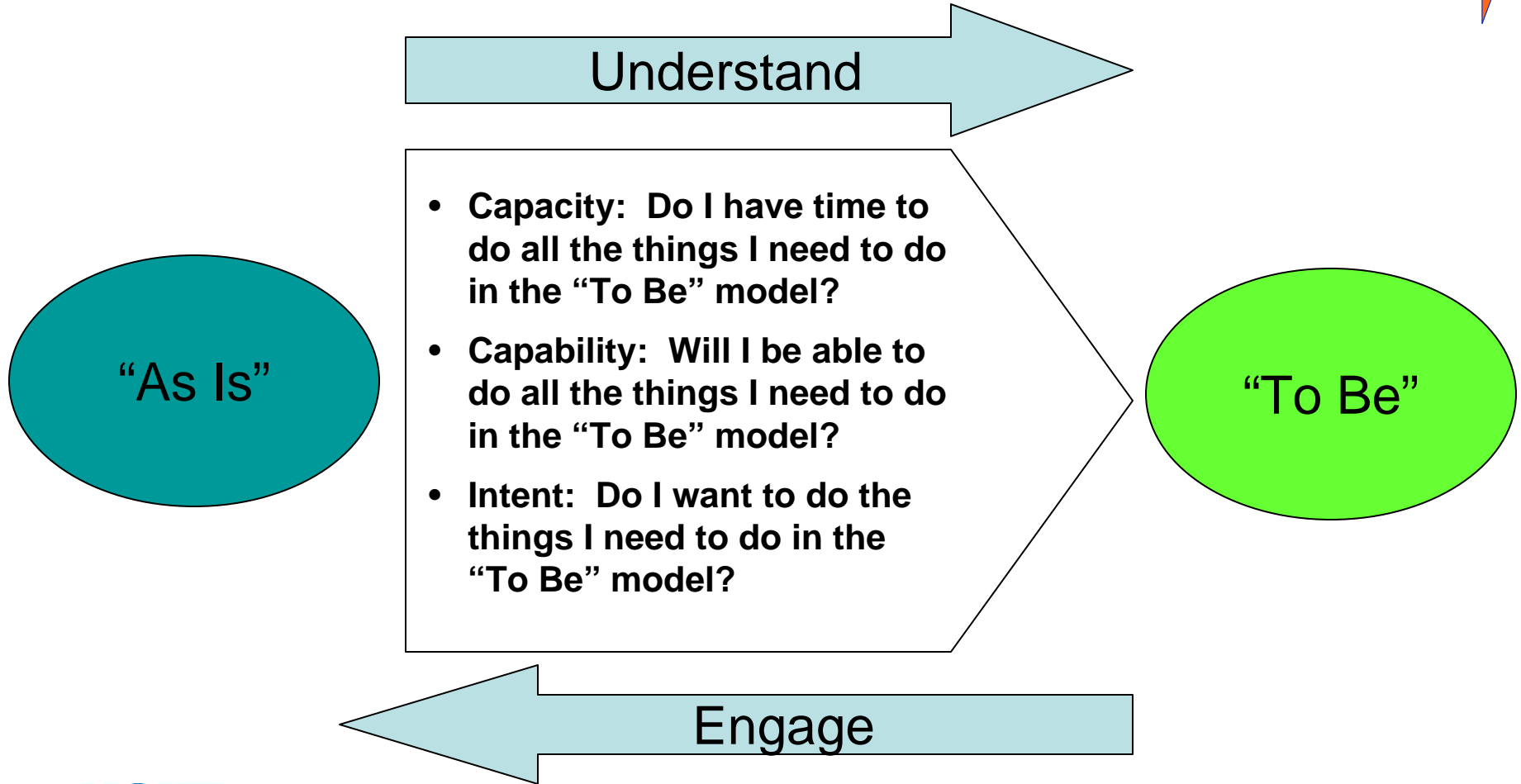
# Gap Analysis – Business Process<sup>1</sup>



1: Reproduced from Lighthouse Technologies ERPWatch™ IV&V Proprietary Assessment Methodology



# Gap Analysis – People





# Expectation Setting – The Forgotten Success Factor

Set or reset expectations

- **What:** Identify the “Needs” (as distinct from the “Wants”)
- **Why:** Understand what underlying business objectives drive the needs
- **How:** Validate that you can deliver upon the needs
- **When:** Understand what time constraints drive the need, and schedule delivery accordingly

“As Is”

“To Be”

Understand the drivers

To be successful in Business Transformation you have to meet or exceed the expectation that is set. You have a far greater chance of success if you set (or reset) that expectation to something that is consistent with your capability.



# Great Misconceptions About “As Is” and “To Be” Models

## Common Consideration

- “As Is” is defined by your current system documentation.
- People will be happy to move away from a current system that doesn’t work well.
- The adoption of “Industry Best Practices” will guarantee an highly efficient and effective “To Be” model
- I chose the biggest and best ERP package, so I could be sure that it would address all my “To Be” business requirements

## Observed Reality

- “As Is” is actually defined by how people do the job now, including work-arounds and manual error correction
- Evidence suggests that people actually prefer “the devil they know to the devil they don’t know”
- Although best practices provide good guidance, they only help if they are in alignment with your business objectives and are fully adopted
- ERP packages don’t address business problems, they provide automation and integration across and between standard business processes



**You need a robust mechanism to understand where you are now, where you want to be, and what transformations need to occur to get there**



# ERP Business Transformation - Conclusions

- **Business Transformation is a Journey, (or process) not an event**
- **The journey involves understanding and addressing the gaps between what you do now (“As Is”), and what you need to do in the future (“To Be”)**
- **The gaps must include consideration of People, Processes and Technology – with most focus on the first two aspects**
- **Expectation setting or resetting is an important step in your success in ERP Business Transformation**



**Visionary insights come from thinking more about human needs than technological possibilities. -- Ben Shneiderman, Leonardo's Laptop**



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Thank You! See Us at Exhibit Booth 129!

## Questions, Answers & Comments

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