

Building Value in ERP Installations

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ABSTRACT

Going live! This is the goal of every company involved in a major ERP installation. After investing countless man-hours and spending, in some cases, millions of dollars implementing an ERP package, companies are finally reaching this magical date that once seemed so far in the future. However, for many organizations it feels, for the most part, anti-climatic. Project leaders, who championed the implementation efforts, are feeling pressure from top management to deliver proof that all the time and money associated with implementing an ERP system was worth the sacrifice. Questions that researchers, consultants, and ERP project team members are struggling with are (1) What metrics should be used to gauge the success of ERP? (2) Who should be responsible for monitoring measurements? (3) How and to whom should metrics be communicated? (4) Should consultants and benchmarking techniques be used to assist companies in measuring value? and (5) Is an ROI analysis really that important?

We surveyed ERP project managers in a wide range of industries to find answers to these and other questions regarding ERP value measurement. Results of our study found that there is a general consensus on the importance of measuring value, although most firms did not undergo any formal analysis of benefits. For those firms that did track metrics, we found that specific measurements were being used for each module deployed (i.e., Financial, Human Resources, Manufacturing, and Logistics). Additionally, most firms did not use consultants or benchmarking techniques for gauging the success of their project. Finally, for those companies that did not undergo formal value measurement, three reasons emerged as to why they felt it to be unimportant: (1) ERP was adopted because of Y2K, (2) ERP was adopted to remain competitive, and (3) Metrics were viewed as arbitrary and difficult to quantify.