TEN TIPS FOR A SUCCESSFUL SAP IMPLEMENTATION
It is common for companies to jump into an SAP project without first conducting the due diligence and planning required to make the project successful. Oftentimes, organizations select an SAP ERP system simply because of SAP’s longstanding, prestigious image and its broad industry focus. However, an organization first needs to “get its house in order,” which means analyze exactly who they are as an organization and what they want to be in the future, as well as pinpoint its strengths and weaknesses and core competencies.

The key takeaway is that any ERP system, even SAP, cannot be effectively implemented without clear requirements. By the same token, clear requirements cannot be defined until business processes are defined. And business processes cannot be defined until organizations establish a clear sense of strategic direction. Organizations must ensure that these areas are given careful consideration during the ERP assessment and software selection process.

There is no question that it can be difficult to gauge exactly how long an SAP project will take to fully implement. While envisioning ideal scenarios is important, organizations must make sure to consider components specific to their business - and their business needs - that can materially affect the implementation.

While a smooth SAP implementation is certainly possible, it entails a level of business and technical risk. There are a number of factors that add to an implementation's level of risk, including integration with existing systems, data cleaning and migration, system stability, demand on hardware and networks, system compatibility and deployment options. Companies must define and delineate all of their individual requirements and operational needs as early as possible to avoid additional costs, timeframe overruns and overall organizational instability.
Top SAP Implementation Challenges

The world of technology and business consulting is tainted by horror stories of ERP projects gone wrong. Many companies have experienced unsuccessful ERP projects, and some have even brought widely publicized lawsuits against ERP software vendors, including SAP, because of failed ERP implementations. In a few extreme cases, these companies filed suit because of their belief that a malfunction with the software caused a complete disruption to their business operations.

In an effort to better manage an SAP initiative and avoid an implementation failure, there are certain challenges to be considered. On the following pages are the top challenges faced by organizations during the SAP implementation process.

**Challenge:** SAP Implementations take longer than expected

**Fact:** SAP implementations run an average of two months over the planned implementation time

**Key Reasons:**
- Initial project scope was expanded
- Organizational issues
- Data issues
- Resource constraints
- Training issues

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1 All data cited from Panorama Consulting’s *Clash of the Titans 2012: An Independent Analysis of SAP, Oracle and Microsoft Dynamics* or *The 2011 Guide to ERP Systems and Vendors*. Both reports are available online at Panorama-Consulting.com.
Challenge: SAP projects go over budget
Fact: The average cost of an SAP project is $6.7 million
Key reasons:
- Initial project scope was expanded
- Unanticipated technical or organizational issues created additional costs
- Consulting fees rose as the project schedule slipped
- Underestimated consulting fees

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<tr>
<th>VENDOR</th>
<th>AVERAGE PROJECT COST</th>
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<tr>
<td>Oracle</td>
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<td>SAP</td>
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<td>MS Dynamics</td>
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<tr>
<td>Tier III/Other</td>
<td>$1.1 million</td>
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Challenge: SAP projects fail to deliver expected business benefits
Fact: Nearly half of SAP user companies realize 50-percent or less of anticipated benefits from their SAP systems
Key reasons:
- Lack of focus on business process reengineering
- Lack of focus on organizational change management elements (e.g., training and communications)
- Lack of business case
- Poor KPI definition / tracking
**Challenge:** Payback period of each SAP project varies from less than one year to more than three years  
**Fact:** Most SAP projects have a payback period greater than three years  
**Key reasons:**  
- Lack of project governance  
- Lack of focus on business process reengineering  
- Lack of focus on organizational change management elements (e.g., training and communications)  
- Lack of business case  
- Poor KPI definition / tracking
Ten Tips for a Successful SAP Initiative

1. **Focus on business processes and requirements first.** Companies often get excited about the technical capabilities or platforms that a particular system supports and fail to carefully consider how well it will actually fit with their specific business requirements. By drilling down into exactly how the business should run – and what their actual needs are – companies can engage in more effective SAP evaluations. Business requirements should be defined during selection and refined throughout implementation.

2. **Take measures to achieve a healthy ROI.** Maximizing business benefits involves more than just developing a high-level business case to get approval from upper management or the board of directors. Though that step is important – and must occur before committing to an SAP solution – companies also should define business benefits so they are as tangible as the defined solution cost, establish key performance measures, set baselines and targets for those measures, and track performance after go-live.

3. **Strong project management and resource commitment is key.** A well-managed and supported SAP project will always bear better results than the alternative. Best-in-class initiatives share a number of similar attributes, including the direction of a strong project manager, the inclusion of in-house subject matter experts, the implementation of a risk management plan (along with mitigation steps), and ongoing phase reviews during the process. If the implementation is not being handled properly or failing to reach milestones, it is advisable to retain the services of a third-party consultant with significant SAP experience.
4. **Commitment from company executives.** A successful project needs support from all top-management – including the entire C-level – to address problems (such as conflicting business needs) and enact solutions. Organizations often find that regular project reviews with executive or steering committee members help managers swiftly address issues as they come up and maintain a satisfying project momentum.

5. **Take time to plan up front.** It is important that companies take the responsibility of making sure that this deal is the right deal for them before jumping in feet-first. Regardless of whether the vendor in question is SAP or any other, take the time to validate its implementation plan and understanding of your business requirements. Budget resources to thoroughly test new business processes, security roles, customizations and the like. And perhaps most importantly, develop and enforce communication plans to keep employees and stakeholders abreast of developments and motivations.

6. **Ensure adequate training and change management.** End-user training, organizational change management and job design are critical components of a successful SAP implementation. ERP systems can create disruptions among employees and might even start a panic if people do not understand how to use the software effectively. ERP functional training should focus on business workflows and technical know-how rather than transactions. The “train-the-trainer” approach is a proven way to embed knowledge into the organization.

7. **Make sure to understand why you are implementing SAP.** Panorama consultants consider this the most important of all of the tips. While it is easy for executives to play a “keep up with the Joneses” game and decide that because other companies are running SAP they should as well, it is infinitely harder to consider that maybe no ERP system is needed at all. Perhaps process reengineering, organizational redesign or targeted best-of-breed technology will meet business objectives at a lower cost and with less disruption. By clearly defining business objectives with (and within) a new SAP system, companies can make more appropriate decisions.

8. **Focus on data migration early in the process.** Data migration is incredibly complex, entails a certain level of business and technical risk, and is affected by the number of sites that a company is going live with, how many legacy systems are being replaced and how many users are involved. Following are techniques to help companies do it right:

   - Define a data migration strategy up front including master (customer, vendor, product) and transactional (open PO, open invoice) data
   - Communicate data migration plans to employees and end-users
   - Remember that it’s never too early to begin scrubbing and mapping data
   - Thoroughly verify migrated data during conference room pilots and testing
   - Remember “garbage data” will create problems with your SAP solution
• Don’t forget to plan for historical data and archival and access of data

9. **Leverage the value of conference room pilots (CRPs).** Functional and integration testing are important measures to take before the system goes live. CRPs ensure the software works according to design specs and that data flows accurately through the system. The value of CRPs is also a key contributing factor to the success or failure of your SAP project. The following non-technical factors are critical for a successful implementation:

• Well-defined business process and workflow definitions help communicate with end-users and train employees on the new system
• Business process and workflow gap analysis tell employees how the old way of doing things relates to the new business workflows
• Organizational change and impact analyses and consistent, targeted internal communications help employees assimilate to the changes

10. **Charting the course.** Launching an SAP implementation necessitates clear communication about the project’s purpose and expected benefits to all employees, end-users and any other concerned stakeholders. A project charter will clearly and concisely define company objectives and make a compelling statement about the importance of the initiative. The charter should include all of the benefits of the new system, as well as frequently asked questions, upcoming organizational changes and any other pertinent information. Make sure that employees know that their opinions and questions are important and will be addressed.
Conclusion

ERP projects often exceed timeframe and budget expectations. Even worse, they fail to deliver many of the promised benefits that companies plan for and expect. By understanding the reasoning behind these pitfalls, companies can build realistic plans for their ERP software implementation. The same applies to SAP projects. It is important to realize that many of these challenges are less about technology and more about process and organizational change management issues. Aligning SAP software with your business processes and requirements is often as tough and time-consuming as it is critical.

When developing or analyzing SAP implementation plans, companies should insist the following elements are included:

- **Project Initiation**: Complete team structure definition, communication planning, risk management and governance and control
- **Execution**: Data migration, training strategy, business simulation, gap analysis and process testing
- **Close**: Cutover strategy, verification, transition planning, communication, go/no go decision, SOX testing and legacy data archive and system de-commissioning

About Panorama Consulting Solutions

Panorama Consulting Solutions is an IT consulting firm specializing in the enterprise resource planning (ERP) market for mid- to large-sized organizations around the world. Independent of affiliation, Panorama facilitates the evaluation and selection of ERP software, manages ERP implementation, and expedites all related organizational change to ensure that each of its clients realize the full business benefits of their ERP systems.

More information can be found on its website, [Panorama-Consulting.com](http://Panorama-Consulting.com) and Twitter feed, [Twitter.com/PanoramaERP](http://Twitter.com/PanoramaERP).