

Answers To Manco Questions

1. Write a summary of Manco's experience implementing SAP.

Manco was a major Middle-Eastern manufacturing company. During the early 1990's, Manco faced new challenges driven by the growth of intensifying competition. Manco desired to become a customer-focused business and wanted to improve quality in order to provide cost-effective, flexible, reliable and timely products and services to clients. Early in 1994, a leading business and IT company (Bitco) was selected by top management to provide support on technical and methodological aspects of BPR (Business Process Reengineering). After Bitco assessed Manco's current situation, they proposed two main alternatives: upgrade the current systems, or select a world-class package. After a comparison of the two alternatives, Manco went with purchasing a world-class package. Bitco suggested that the company needed an enterprise-wide information system, which would fit the needs of the company, and would gain value from the reengineering effort. The Manco group realized the need to get the IS and business functions ready for the changes taking place in the business environment. Therefore, it launched the Manco Operations Reengineering (MORE) project to rethink the way it conducted business.

To pilot the reengineering efforts and minimize the associated risks, the Manco Group decided to narrow the scope of the MORE project to cover only its operations at Manco2. As for project activities, they were planned in three major phases. Phase 1 involved delivering two high level strategies for both future business operations and their supporting IT infrastructure. Phase 2 aimed at delivering detailed plans for both BPR in Manco2 and the new IT infrastructure. Phase 3 was planned to cover several aspects of implementation, including developing and implementing a new IT infrastructure that supported the planned business model, training end-users on the new systems and operations, and developing full documentation of the new organization and flow of work.

When Bitco was first hired, they only committed to Phases 1 and 2. Bitco later proposed that Phases 2 and 3 should be combined to make the BPR efforts more efficient. After Phase 1 was completed, the BPR team felt that using a tool to begin mapping the business processes would save time and make possible early adjustments based on the way the package proceeded. After going over their options, the choice to use SAP R/3 was found to be more likely to support Manco's medium and long-term requirements.

Based on Bitco's scope, BPR implementation with SAP was planned to take 18 months. However, Bitco's involvement ended several months early with just 2 modules of SAP implemented almost completely. In early 1998 the Manco Group began implementing a third module using the online support services (OSS) linked directly to the SAP company in Germany. Once this module has been completed, it will be handed over to the end-users. Configuration and customization of the SAP modules were undertaken by the IT department. After completing this, Manco recognized the need for adequate training on SAP R/3, and therefore established a training lab, and set up a training program.

The eventual problem was that few people considered the change efforts to be successful. The President of the company also considered the BPR efforts a failure, feeling that all of the changes were developed in and for a different context and a different culture and did not apply to their business.

2. Was the implementation successful? Why or why not?

Most people at Manco considered the MORE project a failure. There were a few day-to-day managers that were able to change, with the aid of SAP R/3, some outmoded functional operations in the four major areas to modern processes, but the results did not fully meet the expectations. The President regarded the BPR efforts as a failure because of the budget excesses (the total bill was \$2.8 million), long delays and lower benefits than expected. It did not bring about the dramatic improvement in the Manco Group business process. The modest increase in efficiency did not have a significant effect on the overall costs. The return-on-investment (ROI) was negative. There were seven major causes of the failure of the MORE project.

1. Increased anxiety in the early days of BPR efforts. Management looked at the personnel savings in the reengineering project before implementation. Manco management failed to recognize and understand its employees' distress that was generated by massive change, and failed to take actions which could have eased the stress for the Manco Group employees in the BPR efforts.
2. Creeping shift in focus. The MORE project had a shift in focus from BPR to functional optimization efforts. Because of the strong resistance to the manpower reductions, the BPR-related change principles were compromised. The project management got carried away with the immediate organizational issues and daily business demands and concentrated on less important optimization and automation aims.
3. Underestimating the potential of communication. The main issues were that there was no formal communication strategy to effectively communicate the change rationales and plans to everyone affected by the project. This was supposed to be headed by the HR department, but the request never filtered down to the HR department. This caused a lack of commitment for the project and an inability to assist people in accepting the unknown.
4. Neglecting progress and performance measurement. The progress of the MORE project and its resulting benefits were not measured. Parameters such as manpower, cost reduction, inventory, cycle time and benchmarking were developed, but were never followed up.
5. Ineffective management of consultant. The Manco Group management concluded that the consulting firm, Bitco, was not competent enough in carrying out its job. They felt that their project was an "experimental field" because the project underwent several alterations in its duration. Manco was one of the early implementers of SAP R/3 which should have raised a flag. Manco also made the mistake of maintaining a minor managerial responsibility for its employees in the efforts.
6. Separating IT from business affairs – technical mind-set. MORE project management had adopted a technical view of IT as a force affecting the organizational form. This caused a negative impact on the SAP implementation. A help desk was established to provide statistics on performance but nothing materialized. There was also a lack of alignment between business strategy and IT strategy.
7. Lack of readiness in IT function. The IT function was not sufficiently staffed to implement the BPR strategy in conjunction with the SAP implementation. Lack of experienced staff, training and education along with an increased workload contributed to the failure of implementing the complex SAP R/3 application.

3. What were the major challenges?

Major challenges presented themselves throughout the project. Initially the challenge of effective communication between Bitco and Manco regarding roles and responsibilities were not well established. This manifested itself in inefficient management of the consultant. With expectations not being agreed upon, miscommunication, missed handoffs, and dissension become evident. This was seen again after Bitco's departure from the project when the human resource department was not informed of the expectation to be the leading change agents. This caused more confusion and added to the teams' anxiety.

The team anxiety provided another major challenge. People can be resistant to change. That resistance can defocus and demoralize a team, In this case, much of the consternation the team felt could have been handled if management had given attention to the teams anxiety.

Another challenge was in monitoring and controlling the project as it progressed. Sufficient and meaningful metrics were not established or tracked long term during the project. By doing so, managers were less actively focusing team resources on closing identified gaps as they were in a fire fighting mode. Of course legacy computer systems and hybrid data systems made a direct cut over difficult for some systems. This helped bring about the phased implementation. Because the existing staff was needed to help institute module installation along with aiding in business process reengineering activities, little time for preparation or training amongst the IT staff appears to have occurred

4. Did the implementation go according to plan?

The implementation at Manco definitely did not go according to the initial plan. The initial plan consisted of three phases;

1. Strategy planning
2. Detailed design planning for Manco2
3. Implementation, documentation, and training.

Although phase one was completed successfully, phase two was put on hold as the consultant evaluated the various EIS software packages to find out which would best fit Mancos' needs. Although the long delay in and of itself should have been unacceptable, the fact that the project seemed to go on hold while the process was taking place is probably what upset the project focus and momentum the most. The initial momentum built up going into the project and phase one completion was lost during this time period. This is something that could have been avoided, as many of the phase two tasks of detailing business processes to the atomic level could have been occurring in parallel of choosing the proper EIS software package. If phase two continued, concentrating on detailing BPR efforts, project focus and momentum could have continued. Once the EIS software package was chosen, the project could have converged the BPR efforts with the software package and phase two could have been completed much earlier, with the initial momentum and focus still intact.

With the major delay in choosing an EIS package came a loss in focus, momentum, communications, and confidence. All of these factors probably lead the project team to move quickly to obtain some documented business gains. The only way to do so quickly, would be to shift focus away from the original goals and decrease the scope of the original project. The project, no longer working toward their original goals and losing the momentum and confidence of end users, ran into resistance when attempting to implement changes to current processes and systems. Although some small business processes were changed, and the supporting IS implemented, the gains were not close to meeting the original plan, or goals of the project.

5. *What lessons did Manco learn from this experience?*

When reviewing the project, Manco should have learned the following lessons:

1. The key to an undertaking of this magnitude is probably not in the actual technical details, but in the preparation of their business for the changes that will take place. To get the everyone to start thinking in process oriented manner and empower its' employees to systematically consider what their core processes are, and at the business unit level, how to integrate those processes across the entire corporation.
2. That underestimating the human resistance to change takes education, retooling, and changing the way people think in order to be successful.
3. Responsibility for their business processes can not be handed over fully to a consultant, but that they must engage all levels of their workforce to not only gain the confidence of that workforce, but have them be part of, and take responsibility in effecting change.
4. A project of this undertaking can not be short changed when it comes to resourcing, both human and monetary. Since operations are normally planned to continue to take place during the implementation of BPR and EIS, the resources needed to support those efforts have to be made available.
5. There is a definitive cycle that humans go through when encountering change. This process, even if supported though proper support mechanism such as training, education and communications, will still take place. If at any point during that process, it appears the announced changes will be put on hold or possible not take place, the process will have to begin again later. Keeping people on track during the change process which they encounter will keep them going and eventually change the way the think and embrace the change.
6. Stay on task. Through proper, and detailed project management with clear setting and tracking of intermediate goals will help everyone stay the course and continue to reach for attainable sub goals until the final goals are achieved.
7. Empower and engage the workforce. Not only because they understand the details of the business like no one else does, or that they may have some very good ideas, but for nothing else, if they feel they are truly being heard, then they will tend to better support the changes being proposed.