

## **APS Implementations—Four Year Picture**

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*After significant negativity in the press, we decided to find out what the true story was—was APS worth it. ChainLink has the results of over two thousand projects. The net net was that customers have been overall satisfied, that well over the majority would (and have) buy again from the same vendor. Dissatisfaction sits around 10%, which is about average for the software industry.*

**This article is a synopsis. The full report is available from ChainLink Research.**

## Executive Summary

We have talked to hundreds of users—face to face. And we have unique access to multiple databases of performance data to derive the content in this report. Plus, we have talked to the lead implementers of their successes and issues with the key vendors. This will not be the last word on this subject—but it is the *most definitive to date*.

- ⚡ APS module-by-module implementation times among the top APS vendors has become streamline and predictable.
- ⚡ Software vendors are more active in implementation—with concentration from vendors extremely high. In fact, most significantly design and improve their service offering to customers, and frequently implement the whole program without consultants.
- ⚡ The role of the user and company vision for implementation remains the key factor to success—as it always has and will—with software implementations.
- ⚡ Business transformation is led by the Supply Chain software providers, who still have the bulk of the installed base.<sup>1</sup> They are also most willing to talk about their successes—and failures, with mostly nonparticipation by ERP vendors.<sup>2</sup>

## The Story

APS is implemented in most of the major fortune 1,000 firms today. And, in spite of the drive to reduce the number of active vendors in the enterprise, the larger firms still have multiple vendor presence. It is true, though, that new implementations with the largest firms have become scarce; and when they happen, many of these are significant financial wins for APS vendors. Even in this market, there are still seven figure deals, usually repeat business, demonstrating customer confidence in a successful outcome.

The major APS vendors, in spite of a down market, have significant architectural and functional improvements in the last year, moving to more in-depth capabilities such as pricing, and to web services platforms for inter-enterprise access. In spite of all the new goodies, the lingering skepticism is hurting the growth of these companies. Without an objective look at yesterday, it will be hard for customers to move ahead to tomorrow with confidence in these firms.

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<sup>1</sup> We are talking about thousands of projects.

<sup>2</sup> Most of the analyst firms have reported this same issue. ERP players overall have not been able to produce consistent numbers of references.

## Implementation Time Frames and Learnings

ChainLink was given an unprecedented view into a treasure trove of data by APS technology firms<sup>3</sup>. We saw both vendor customer data, implementation data as well as talked to over one hundred users of APS systems. Much of this data is under NDA. ChainLink is acting as a neutral third party; review all the data from these technology firms who agreed to participate. We will not exploit this opportunity, so the data you will see in this section is aggregated. It does reveal significant issues, trends and truths about this technology sector.

Assessing performance across many different firms is quite challenging. Although we asked for specific data over a four-year period from 1999-2002, we had to reconcile different methods of data collection and reporting. However, having access to follow-up with customers about these issues has revealed the fairly accurate picture of why we got where we were, as well as what is happening today.

Although there are many modules included under the APS umbrella, we decided to look at the four most deployed—Production Planning, Demand Planning, Transportation Planning and Supply Chain Planner. These projects alone make up over two thousand nine hundred.<sup>4</sup>

Some interesting facts arise from the data (figure 1). During the height of the market, implementation times and successes declined. And that is where the trouble began. Harried and hurried investments were being made, not just APS, but *any* software that moved. These charts show implementations, but not all the purchases made. Suffice to say, there was a lot of spending—more than the attention units of the organization to absorb them.

## Implementations

We looked at the implementation picture of the last four years, from pre-hype, through the boom, until now. You can see from figure 1 the basic story. Year 2000 and 2001 has the longest implementation times as well as the most modules sold. Although by this time, there was a huge amount of providers in the market (both software and consultants). There was also a shortage of the 'right expertise'. This tended to be the 'seasoned' consultant who could understand the business process and the relationships

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<sup>3</sup> Adexa, i2, Manugistics, Logility, JD Edwards, webplan were the top case study contributors

<sup>4</sup> The number of APS projects was probably over four thousand, but we do not have access to all the data.

to the software drivers. Attention units were in short supply. In spite of that, projects were getting implemented, but more pain was experienced. Several firms needed to 'restart' projects. We heard about the outright failures in the press. There were significant musical chairs with consultancies—but very little software vendor defection, in spite of the chaos. The biggest wounds were key deals being lost due to poor results during these times. One customer we spoke to at a software conference insisted that he 'tried i2, couldn't do it; moved to SAP'. We asked him specifics about his Demand Planning project with SAP. 18 months and a huge staff of consultants. As you can see from figure 1, this is way over the numbers. But, as we know, many firms felt this was preferable to 'rewarding bad behavior' with repeat business.

Many of the issues were 'irritations in the relationship', as one customer told us. "We were determined that the next project would exclude those maleficents!" In figure one we see the aggregate—number of projects each year and the average elapse months for each module, TMS, for example generally taking the longest time. These are averages, with outliers taking 20 months or 2 month. There were extremes on both ends

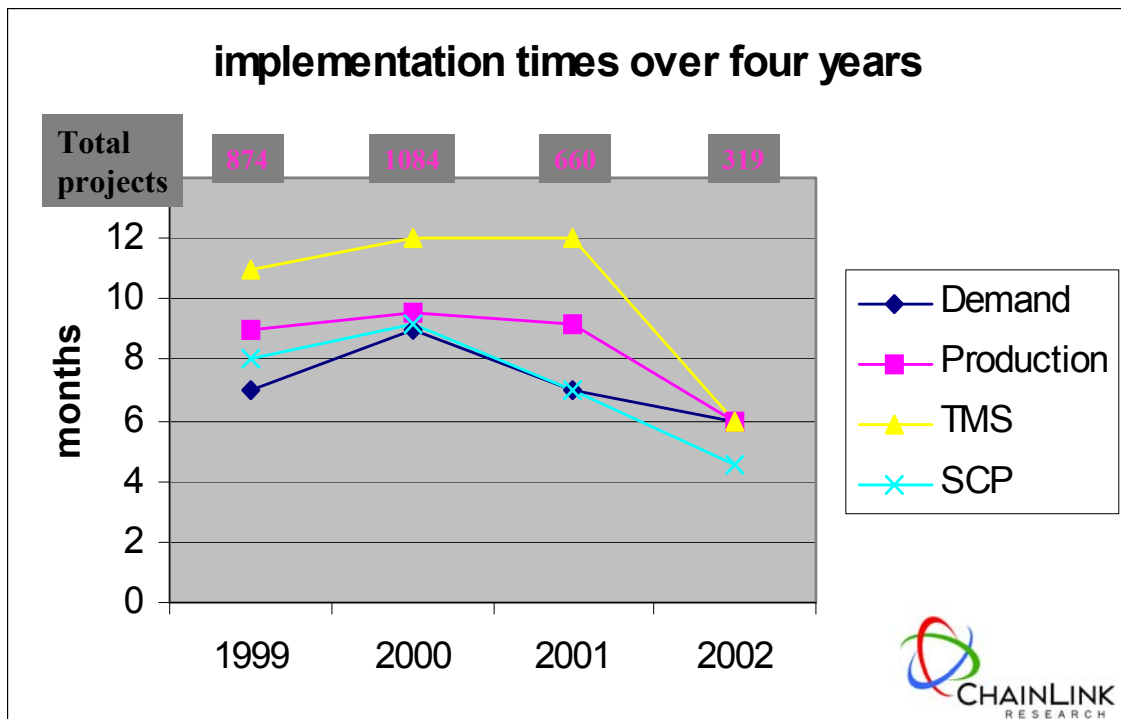


Figure 1

## Forces that led to slowed implementations

After discussion with many users as well as software firms, a picture of compounding issues led to poor implementation results and a sense of value not gained. Our opinions are weighed more towards what customers told us—since that's what counts.

Many of the delayed or failed projects had certain elements that were consistent. These were:

- ⚡ Deal signed based on undeveloped software.
- ⚡ Recognized 'inexact fit' of software to business model. Through consulting and software development, these issues were to be addressed.
- ⚡ Concurrent high-risk business process changes that were expected to be enabled by the software.
- ⚡ Changes in project teams, business management changes, or outright acquisitions, leaving projects to flounder.

Vendor contributions to the issues included:

- ⚡ Late delivery of key resources to projects.
- ⚡ Many users complained about 'over complicating' by vendors. The push to use many modules sometimes made sense, but frequently pushed users above their 'digestion point', as one customer told us.

The above are some of the most commonly expressed issues for major glitches. But the list went on. It is worth mentioning, since it gives guidance to those responsible—from all three parties—project managers/sponsors, tech firms and consultants, to really think through what you are engaging in.

Product fit problems:

- ⚡ Poor industry fit—trying to solve complex scheduling problems with software that did not fit the granular nature of the business problem.

User issues:

- ⚡ Project management limitations.
- ⚡ Lack of organizational alignment.
- ⚡ Resistance to adapt to best practices in Supply Chain Management. One user told us—"we had an 'exotic approach' that was built up over years. We were looking to model the software to that. Well, these guys don't really sell software that does that. Nobody did. One of us should have changed. In this case, it was *us*. Now that our company has been sold, we have been forced to readdress the process. We recently started a new project, which went pretty smoothly".

Software Over sales:

- ⚡ Late delivery of software components.
- ⚡ Push to 'try early releases' (this was mostly applied to SCP modules).
- ⚡ Poor turn-around time on issues from software firms.

Consultants:

- ⚡ The primary issue here is that large projects were deployed, yet the experienced supply chain knowledge was in short supply.
- ⚡ In addition, knowledge of the specific software modules was in short supply.
- ⚡ Several companies told us that consultants were trying to tell them they knew constraint planning, but did not. This was a humor statement from one company: "Every consultant who came here would tell us, 'I worked with Eli on the book'".<sup>5</sup>

One CIO we spoke to stated, "Anyone who blames the vendor for the lack of implementation doesn't know what he is doing. You have to manage the project well. Implementing these systems is not a nine to five job. You have to take care of the people, get consultants who really have the correct knowledge by modules."

Another stated, "You have to bring them on (consultants) module by module, resume by resume".

But beyond this, there was a general lack of attention all around. In the current market, vendors have redoubled their efforts—less projects and more attention their customers.

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<sup>5</sup> Eli Goldrath, author of The Goal.

## Case Studies

In the report, we have ample case studies on significant successes—objectives, company benefits, etc.

Here are the ranked benefits discussed, although many cases have more fascinating business transformation results: like market share dominator; capturing and keeping customers and segments; implementing processes that were challenging, such as S&OP processes; global supply integrations; customer collaboration and intimacy. But there is nothing like tangibility.

So, figure 2 ranks these. We bundled these in 5 major categories.

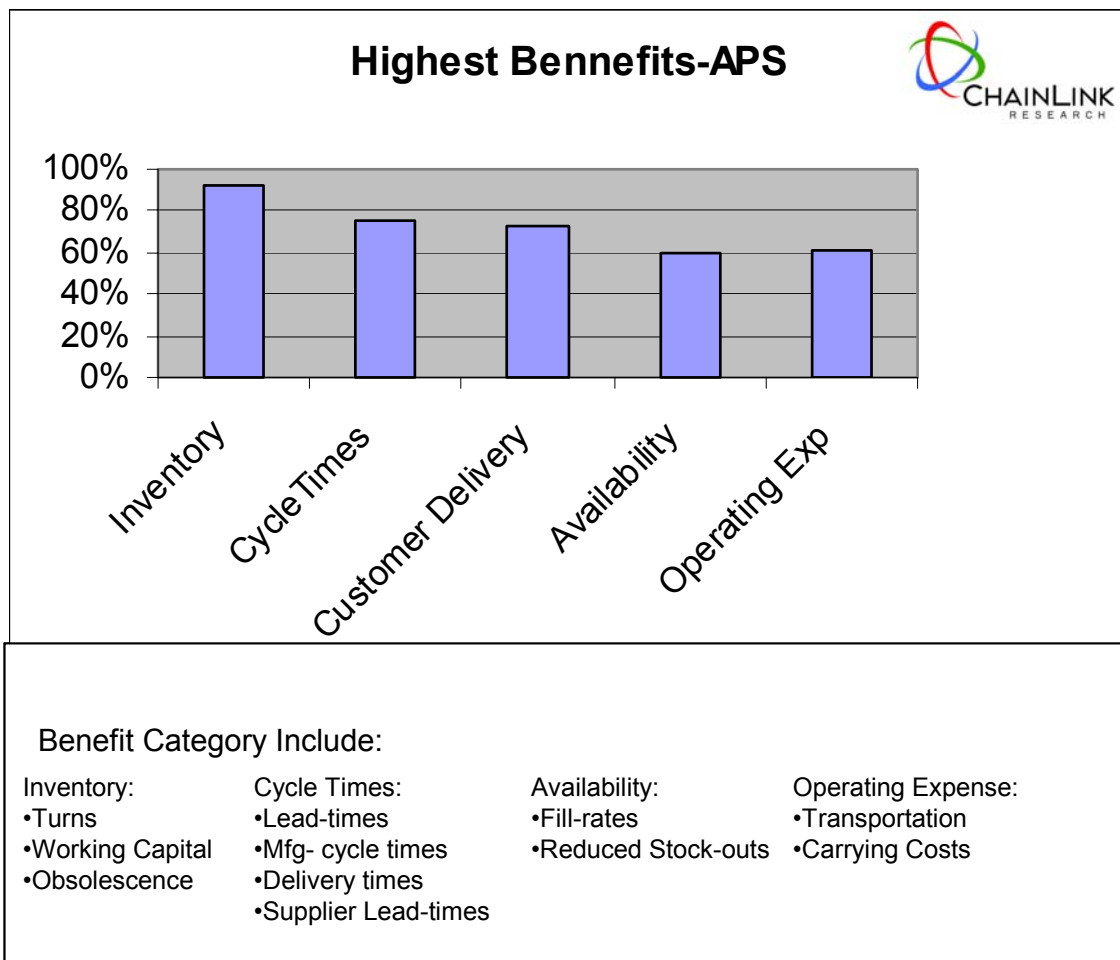


Figure 2

## Conclusions

The most important conclusion in this research is that the noise about the ‘bad vendors’ seems to be behind us. There is significant business activity in supply chain—outsourcing, channel integration, creating wireless networks to support global chains, etc. Many users are looking to leverage their investments in the relationships with these vendors to enhance their business processes. Reputation at an aggregate level is still not too good, which may make end users turn to different vendors for solutions. But the software firms have redoubled their efforts, leaving no stone unturned to ensure customer satisfaction. Many customers have and will buy again from their existing Supply Chain Management vendor. In fact, in these tough times, many firms have reported repeat business with up to 70% of their customer base. Figure 3 shows the numbers across the customers/vendor bases—about 50%. Out of the 19% dissatisfied, the 11% were more willing to withhold judgment until things were fixed.

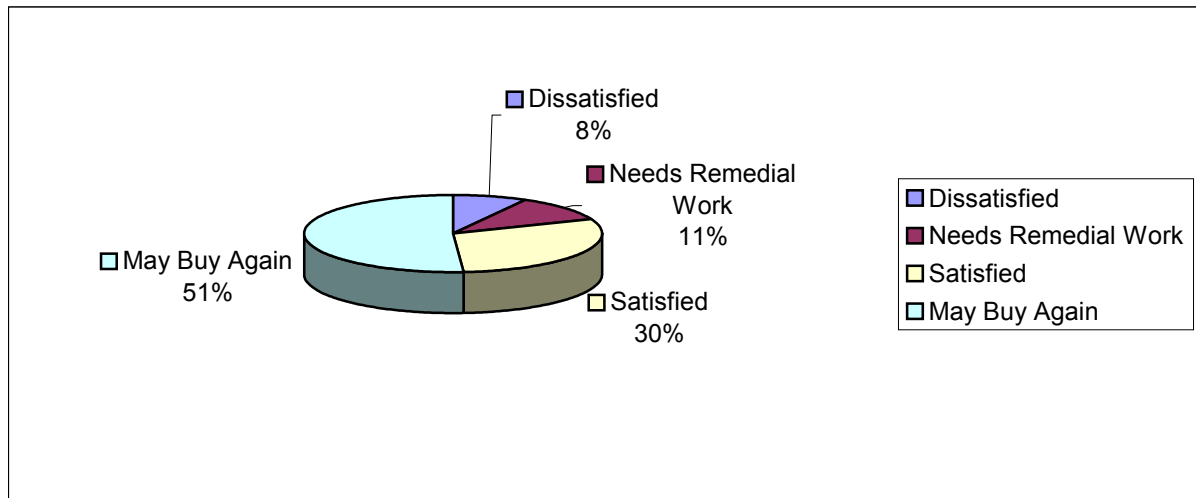


Figure 3

It still remains imperative, however, for specialty SCM vendors to not slack off, since there are too many temptations for users to turn to other players for solutions.