

# SAP ERP IMPLEMENTATION IN AGRI – BUSINESS: The Case Study of Mumias Sugar Company

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# AGENDA

**Background**

**SAP ERP Implementation**

**Benefits**

**Self Diagnostic**

**Q&A**

# Presentation Outline

- BACKGROUND
  - Where was MSC coming from?
  - The cost .....
- SAP ERP implementation
  - Critical Success Factors
  - Learning points
- BENEFITS
  - The General Problem
  - Benefits Tracking
  - Dashboard
- SELF DIAGNOSTIC
- Q&A



# Where was Mumias coming from?

## Any of these sound familiar?

- Pressure to leverage technology in business strategies
- Centralised Data Processing
- Fragmented IT infrastructures
- Communication gap between business and IT managers
- Disappointing service levels from internal IT functions and outsourced IT providers
- Marginal ROI/productivity gains on technology investments
- Low IT literacy levels



# The Cost

## Have you worked it out?

### Reputational

- Customers & Suppliers
- Business partners

### Business

- Un-Competitiveness
- High Cost Structure
- Not Strategic

### Other

- Bloated Workforce
- High Overtime



### Productivity

- Number of employees
  - Hours worked
    - N € per hour
- Manual Workarounds (time, effectiveness)

### Operations

- Inefficiency
- Poor Quality
- Poor Standards
- Lack of Customer Focus

### Financial

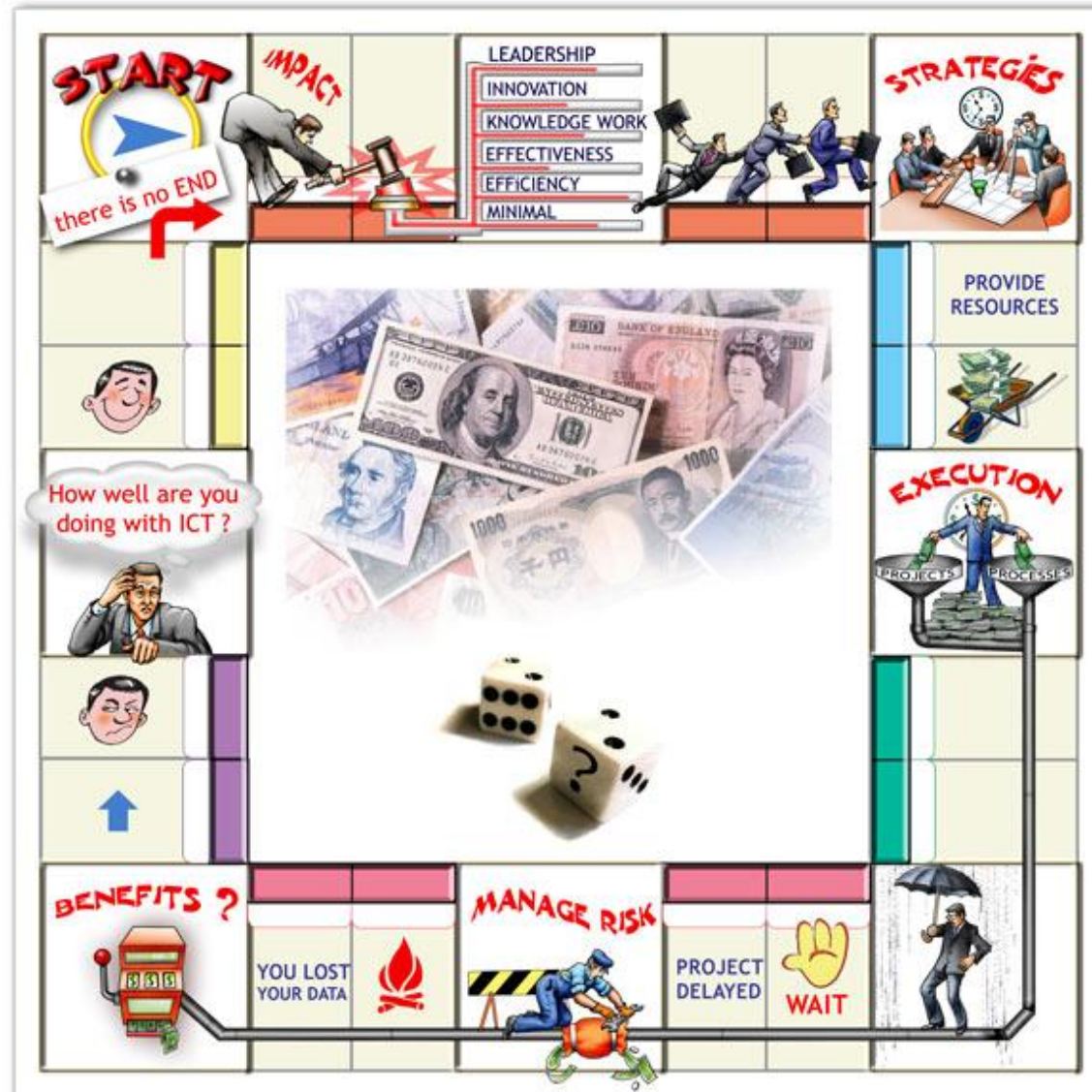
- Direct Losses
- Workarounds
- Opportunity Costs
- Billing Losses
- Investment Losses



4 month project  
Jul-Nov  
2006

SAP  
Implementation  
Partner

QA by  
PwC



ECC 5.0

MM  
FI/CO  
SD  
PM  
PP

# Critical Success Factors

## Strategy

- The Business strategic plan (2004-2008) requires MIS to enable the business (IT organisation, infrastructure, business systems and business continuity).

## Leadership

- The CEO led from the front. Project structure was steered by the ITSC and BHRSC was the governing body.

## Project Management

- The project management was done by MSC and SAP using ASAP FOCUS methodology. The first in this region.

## Resources

- There was dedicated resources to the project comprising of task team members, teamleads and super users. The cost of licencing the software implementation was USD 2M



# Lessons Learnt

## Success Calls for:

### Change Management

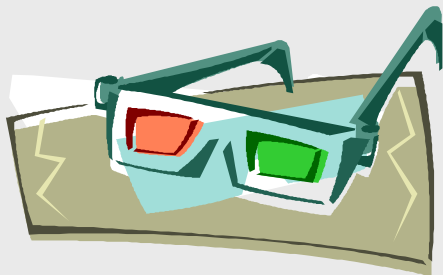
- Dedicated management resources to coordinate change management (rather than a shared resource). Change is resisted; it is never easy.

### Knowledge Transfer

- Building internal capacity from the start to ensure knowledge transfer from your consultants.

### Consultancy

- The availability of skilled/experienced SAP consultancy resources in the local market.



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## Gartner: firms waste £351bn each year on ill-conceived IT projects

Nick Huber

THE average company wastes 20% of its IT budget on misguided and inefficient spending, the analyst firm Gartner has claimed.

This amounts to \$500bn (£351.8bn) of corporate IT investment worldwide - about \$140bn of this in Europe.

Over-specified hardware, inconsistent licensing policies for software, and projects that never see the light of day are the main precipitators of fruitless IT investment.

This waste is an endemic problem cutting across Europe, Gartner insists, in an analysis that will re-ignite the

debate about IT spending and return on investment (ROI).

Although Gartner has admitted that the 20% figure is an approximation it said that many chief information officers and chief financial officers it had talked to believe the estimate is a conservative one.

The findings come as IT managers face intense pressure to use technology to cut costs within the business while also demonstrating how new projects can boost profits.

"Chief information officers and IT managers are being stretched by two strong and opposing forces," said Andy Kyte, Gartner research direc-

tor. "They are being asked to cut costs to the business and do more with less.

"But at the same time they are being asked to implement changes to the IT systems, for example a new supply chain management system for the logistics manager. This will be spend from the IT department budget."

However, not all companies are throwing away large chunks of their IT budgets. According to Gartner mid-sized organisations tend to be more efficient by focusing on tightly-controlled cost-driven expenditure, rather than ambitious e-business projects that are more likely to be tackled by larger firms.

So what should IT man-

### How to get most benefit from your spend

- Use the 'gap year' to pause for breath and adjust inappropriate IT investment behaviour and practices acquired during the years of e-business hype
- Kill projects early and often. Instill a culture of rewarding managers for recognising projects that are not going to deliver business benefits
- Strictly prioritise IT investment in line with current business goals
- Restructure the IT investment processes to continuously re-evaluate the viability and value of IT projects

agers do to get better value from their IT spending? A coherent approach to software licensing across the organisation would be a start, said Kyte.

Divisions within companies often have different

licensing agreements with the same supplier. The result is that users may fail to capitalise on their buying power to squeeze a better deal from software suppliers.

"Companies could make significant cost savings if

they have a common licensing agreement," said Kyte.

IT managers and company boards also need to be more ruthless when taking decisions about when to pull the plug on a troubled IT project, Gartner added. In the long run this will save time, money and professional reputations.

IT managers should bite the bullet. "In most organisations it is regarded as a badge of shame to terminate a project but we believe that killing projects is a sign of maturity," said Kyte.

"You are trying new things and innovating but recognising that the innovative idea is not going to deliver value."

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20 % of global IT budgets are wasted



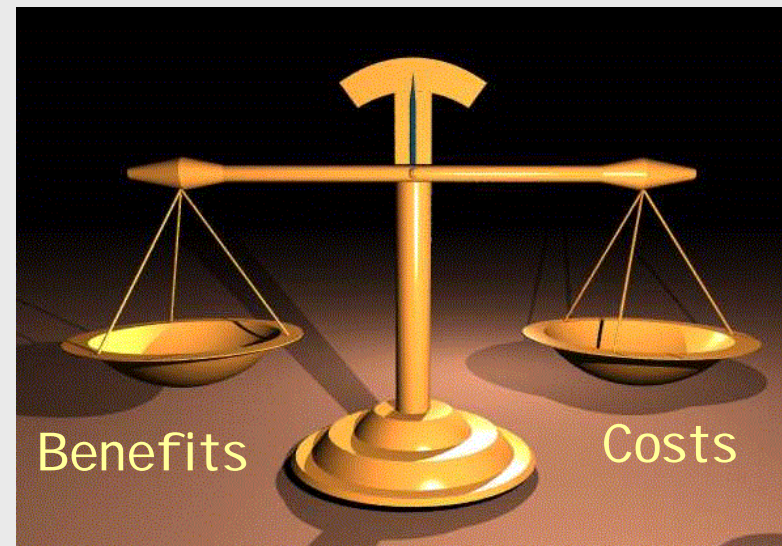
From Crossing the Executive Digital Divide, by Ed Gelbstein Diplo, June 2006 ([www.diplomacy.edu](http://www.diplomacy.edu))

## General Problem

- Only 85% of enterprises require a business case for changes
- Only ~ 40% of approved projects are based on realistic benefit assessments
- After an implementation, less than 10% of enterprises validate that benefits were achieved
- Less than 5% assign personal responsibility for achieving benefits

The limited ability to  
derive benefits  
from investments in IT

Eduardo Gelbstein  
September 2007



The resources made available built up by—IT

How IT is organised to respond

What the stakeholders expect from IT

IT Resources

IT Processes

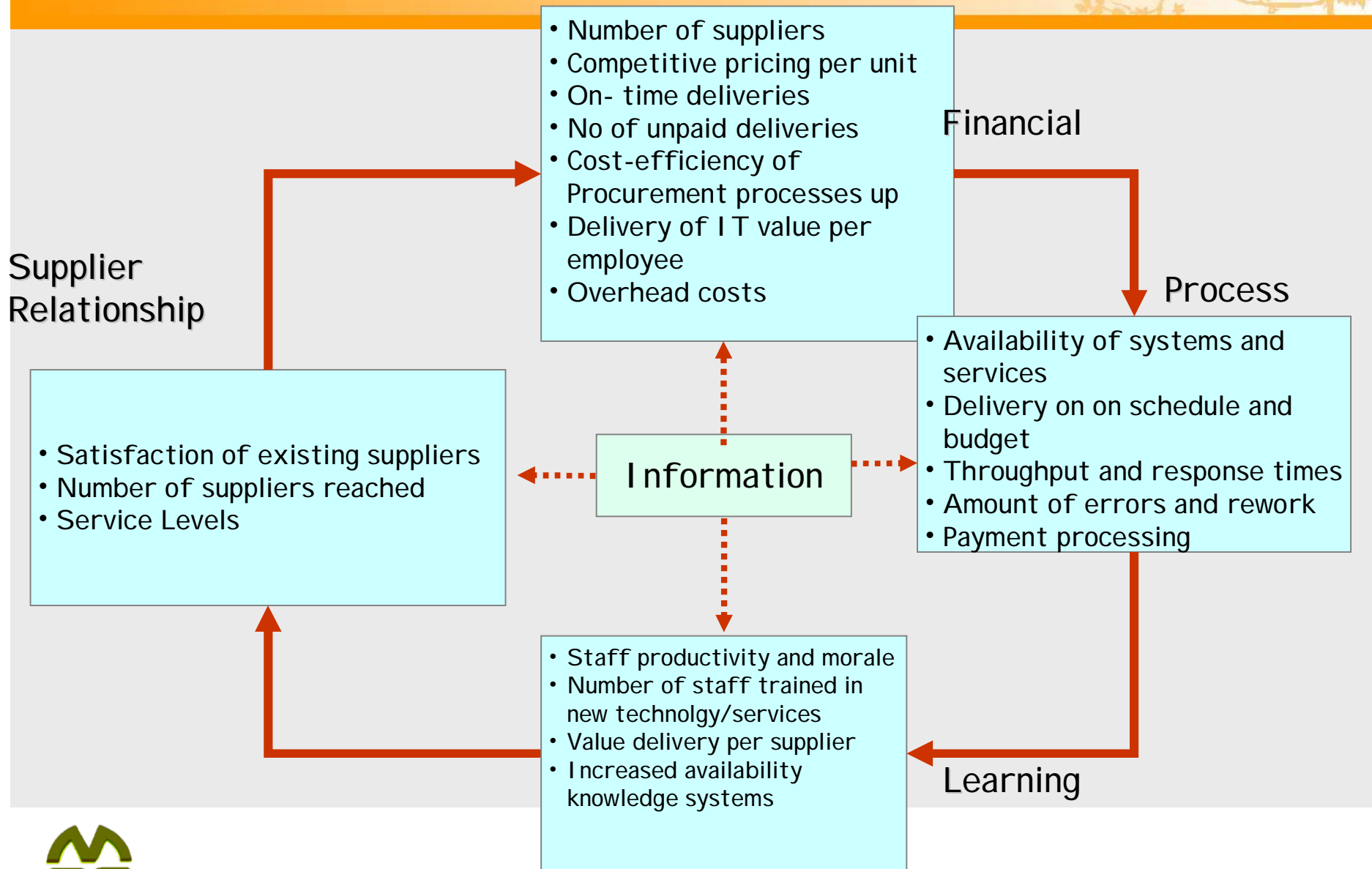
Business Requirements

- ➔ Data
- ➔ Application systems
- ➔ Technology
- ➔ Facilities
- ➔ People

- ➔ Plan and Organise
- ➔ Acquire and Implement
- ➔ Deliver and Support
- ➔ Cascade and Train
- ➔ Monitor and Evaluate



# Benefits of Tracking - Example



# Dashboard - Where are we now?



Place the dot

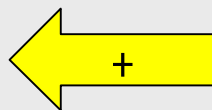
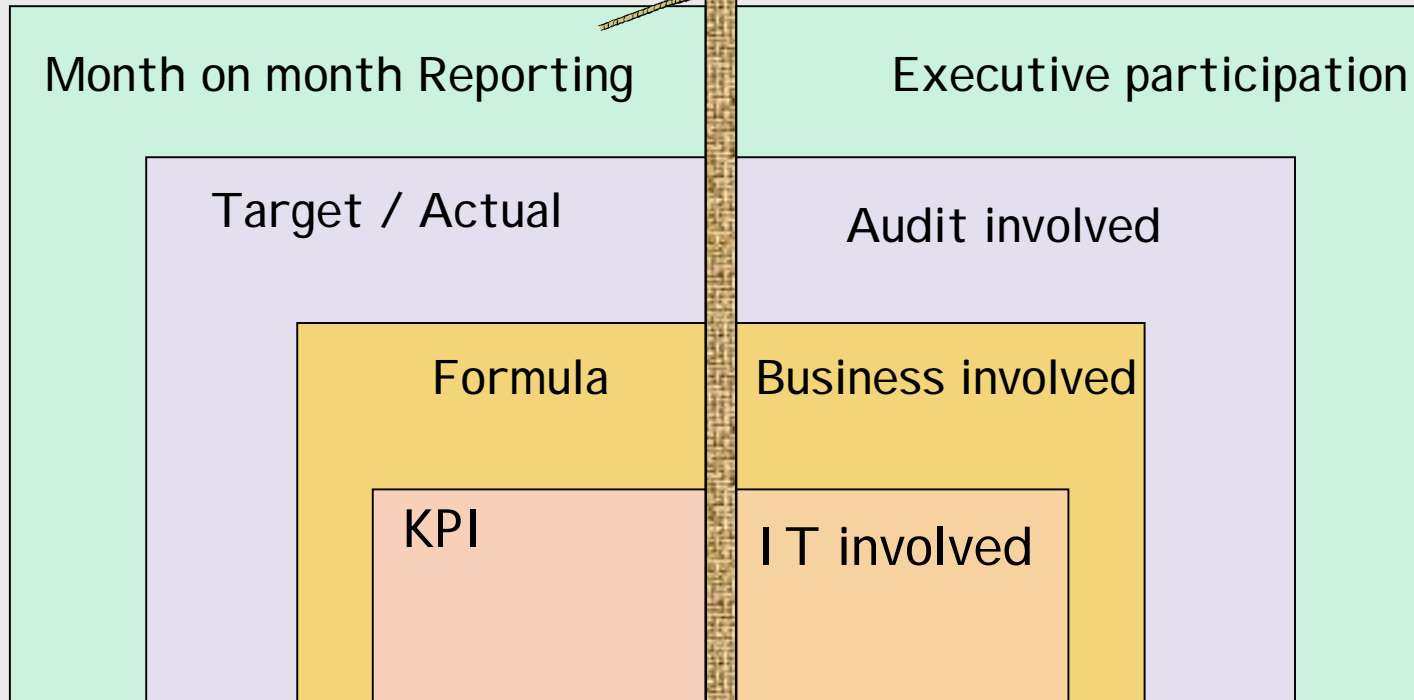


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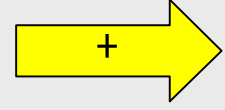
Benefit tracking maturity

Managerial maturity



Probability of success

Probability of success



# Self Diagnostic

Have you:

- Established a Benefits Tracking Mechanism
- Documented Benefits
- Established a Benefits Tracking Plan (BTP)
- Appointed a person (persons) to own Benefits Tracking
- Asked the auditors to validate the Benefits

**In the Last 12 Months have you:**

- Received an executive report on Benefits
- Received a monthly sect / dept report on Benefits
- Reviewed your business requirements for Benefits tracking
- Conducted an audit of your Benefits accrued so far



Q&A



QUESTIONS?

