

# *Trigger Point Analysis*

*Lets explore company trigger points that may provide a decision framework to support (or not) taking that 1<sup>st</sup> step in evaluating a new or upgraded ERP as part of your IT strategy*

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Please make this interactive – don't let me put you in a coma!!

- ❖ Typical Path
- ❖ Foundation to Begin
- ❖ Trigger Categories
- ❖ Category Examples
- ❖ Analysis
- ❖ Case Study
- ❖ Q&A

# Typical Decision Path

Many executives struggle with the decision on whether to divert effort (resources and money) on a ERP/IT system selection process

Typically a company considers two actions along with their associated risks:

Conduct IT/ERP Selection	OR	Do Nothing
<b>Risk</b>		<b>Risk</b>
<ul style="list-style-type: none"> <li>❖ Result is a NO to a new IT/ERP system</li> <li>❖ ROI is significantly less than assumed</li> <li>❖ Spent Resource Cost</li> <li>❖ Spent External Cost</li> <li>❖ Other projects may have been impacted</li> <li>❖ Negatively impacted workforce morale</li> <li>❖ Stakeholders and business owners will be less likely to support other key IT initiatives</li> <li>❖ Vendor and VAR will not be as responsive next time around</li> </ul>		<ul style="list-style-type: none"> <li>❖ IT strategy not in alignment with business goals</li> <li>❖ Total Cost of Ownership may increase as business needs demand more customization or integration</li> <li>❖ Business feels that IT is not proactive to business growth or goals</li> <li>❖ Current IT framework issues will continue or will be addressed on a case by case issue rather than more cost effectively as a whole</li> </ul>

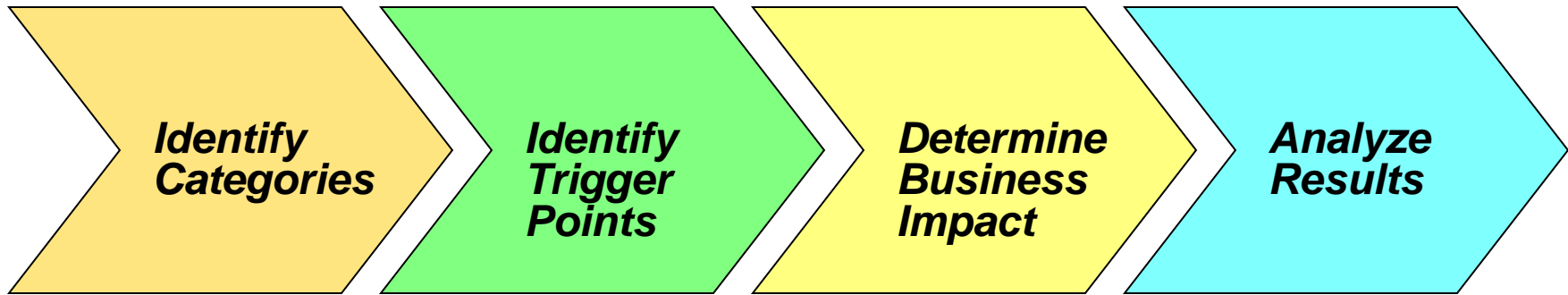
***Solution >> Conduct a Trigger Point Analysis***

In order to begin this quick analysis you must identify:

- ❖ Internal Project Owner
- ❖ Executive champion
- ❖ Identification of key stakeholders
- ❖ Understanding of key future business strategy, change catalysts AND the competitive environment
- ❖ Understanding of any other enterprise wide process improvement efforts currently planned or executing (Lean, six sigma, ITIL, etc.)

# Trigger Point Analysis

The objective of the Trigger Point Analysis is to quickly and with minimal impact (both cost and effort) determine whether a full ERP/IT selection project is warranted



- Business Growth
- Business Reporting
- Customer Demands
- Process Improvement
- Technology
- Compliance
- TCO
- Company Specific

- Acquisitions
- Customer Changes
- Product strategy
- Company strategy
- Competitive pressure
- Customer demands
- Business analytics
- Cost

- Revenue
- Cost
- Resource
- Business Alignment
- Customer Alignment
- Timing

- Executive review
- Strategic impact
- Corporate initiatives
- Resource Planning

**Decision**

Categories represent key business drivers or strategy

The following categories generally serve as very good trigger areas to explore but obviously can vary by company

They are not arranged in order of priority as that is definitely company dependent.

A certain category may not even apply to your situation or you may have a specific category that is niche to your industry

Business Growth  
Business Reporting  
Customer Demands  
Process Improvement

Technology  
Total Cost of Ownership  
Compliance

Lets now explore some potential questions (trigger points) within these categories

**Business growth can incorporate a variety of items. Obviously, user count growth is a consideration but consider these additional triggers.**

- ❖ I acquired a company and realize their key business needs are very different than mine and the executive expectations are to have information consolidated and managed as “one” – because of the key differences, unsure if my system can handle the consolidated expectation.
- ❖ I acquired a company and in many ways their ERP system is better than mine so not sure if I should put them on ours, use theirs, or look for a new solution that may meet both of needs
- ❖ My business has fundamentally changed and my current system is not a great fit for the new business model
- ❖ A previous “less-important” segment of the business is now targeted to quickly be significant revenue producer
- ❖ We are expanding globally – my current system lacks or will require lots of effort to enable non US customer visibility, country financial localization, multi-currency, and multiple GLs

**Business reporting is often overlooked in the decision making process, when in fact is the most visible and a critical component of any architecture. These triggers might lend to the decision:**

- ❖ Our reporting is targeted towards old school accounting – trial balance, income statement, etc. We have no tools in place for business intelligence, management decisions or analysis.
- ❖ We embarked on a BI project but have realized that we do not capture the transactional data required to generate many of the analysis or reports. Our current system limitations will never provide that type of data.
- ❖ It is difficult to get data out of our current system for use in web enable portals for both customer and internal use
- ❖ A significant source for the reporting of critical KPIs are Excel files that are independently kept outside of our ERP environment

**Most significant IT alignment is due to either business growth or customer demand. Here a few customer demand triggers to consider:**

- ❖ Your major customers have more advanced ERP systems and customers are asking you about your “strategy”.
- ❖ Your customer base has changed from mainly US based to heavy global
- ❖ Your major customers have set an expectation bar (supply chain integration, real time distribution data, process visibility) that you struggle or cannot meet
- ❖ The only way to meet multiple customer demands is to continue implementing 3<sup>rd</sup> party add on or custom code solutions to your base ERP
- ❖ Your sales force needs a more timely complete picture of the customer (orders, history, finances) to respond to customer demands
- ❖ Your competitors have executed several major system enhancements that have “raised” the bar for customer satisfaction

**Process improvement (PI) initiatives such as Lean, Six Sigma, and Supply Chain Optimization can be trigger points to evaluate your IT architecture. Case examples might include:**

- ❖ Data is not available to support PI metrics (cost, inventory improvements, logistics, job costing, work order metrics, product revision history, engineering change orders, etc.)
- ❖ Your PI effort requires real time feedback or visibility to customers/suppliers but IT infrastructure is not capable
- ❖ Lean PI efforts highlight significant non value added time on reporting or sharing of information, especially in a global environment
- ❖ Current IT strategy does not support Kanban or other inventory management tools used to enable PI
- ❖ Time to complete PI efforts is significantly impacted due to lack of system support (i.e., have to wait for data, reports, KPI feedback)
- ❖ Current IT strategy does not provide feedback or data for a ITIL foundation or missing one element (i.e, we track/respond don't have good systems to track root cause and tie back to problem resolution).

**Technology is rarely the primary trigger point but usually is combined or a reason for business trigger points. A few to consider:**

- ❖ Our current architecture was conceived >7 years ago. Think about how much has changed since 2003.
- ❖ Our current technology base does not easily support web based transactions or reporting
- ❖ Microsoft Excel is the transactional or audit database for many critical processes
- ❖ Do your key business leaders have an awareness of new technology – sometimes even spending just a little effort on a evaluation will bring the business up to speed on what is available in today's market
- ❖ Detailed awareness of competitor use of technology – Vendors are a great source of how competitors are using newer technology and will be discovered as a result of an ERP evaluation process.

## **Compliance can be a significant driving factor in evaluating IT architecture. A few that my clients have experienced include:**

- ❖ SOX – If you are a small private company that is going public anytime soon this is definitely a target issue. Does your IT system have the user security and process controls available to comply with SOX?
- ❖ FDA – Small medical device clients usually overcome any IT gaps with manual paper control however that is not a scalable option. If your current system does not support stringent lot tracking control integrated with engineering change control, or integrated document management you probably have significant process improvement potential.
- ❖ FFA – Maintenance, Repair, and Overhaul companies must keep extremely detailed and accurate records in a very granular detail. ERP's and niche players in this industry have made significant leaps to pull in an integrated approach to this complex industry. If you are struggling, it might be wise to evaluate your options.
- ❖ GAAP/IFRS – Are you struggling to report and comply with multiple GAAP (different countries, etc.) or facing new challenges such as IFRS? Does your system enable your compliance?

**Cost of ownership is always a hot topic and once you get past functional drivers this is the focus of most executives. A few items that may be areas that support a IT evaluation:**

- ❖ Our application “quilt” contains significant amount of custom code, 3<sup>rd</sup> party apps, or custom integration causing higher support costs
- ❖ Maintenance support contracts are no longer being supported thus TOC is higher due to higher internal or consulting costs
- ❖ We have very skilled people that spend lots of time in change control roles simply because of the complex integration between applications – their value could be better utilized to drive business goals
- ❖ We have projects that have been delayed or cancelled due to resource constraints because our internal staff could not complete all the custom code required
- ❖ Our complex quilt drives higher Business Continuity risk and cost due to complexity of 3<sup>rd</sup> party applications and custom code
- ❖ We can not take advantage of current cost efficiency trends such as cloud computing, SaaS, etc. due to our proprietary or custom nature of our applications

## **After evaluation of the options, of the few simple steps should provide a valuable discussion framework with executives:**

- ❖ Determine the business impact to each category and trigger point.
  - High – Causes heavy manual effort, impacts multiple departments, has negatively impacted revenue or prohibited identified cost efficiencies
  - Med – Causes some manual effort, impacts 1 or 2 departments, indirectly may affect revenue or cost efficiencies
  - Low – Low effort, impacts 1 department, low impact on revenue or cost efficiencies
  
- ❖ Determine the timeframe for which this impact will be felt
  - Immediate – We are already feeling this impact
  - Near Term – Ok for now but anticipating impact in 1-3 years
  - Long Term – Probably not on the near term horizon
  
- ❖ Determine the dollar impact at a very high level
  - This will vary according to size of company but try to establish an agreed upon range for Low, Medium, and High. If it is too difficult to measure at this point, then just TBD rather than put in a estimate with no foundation.

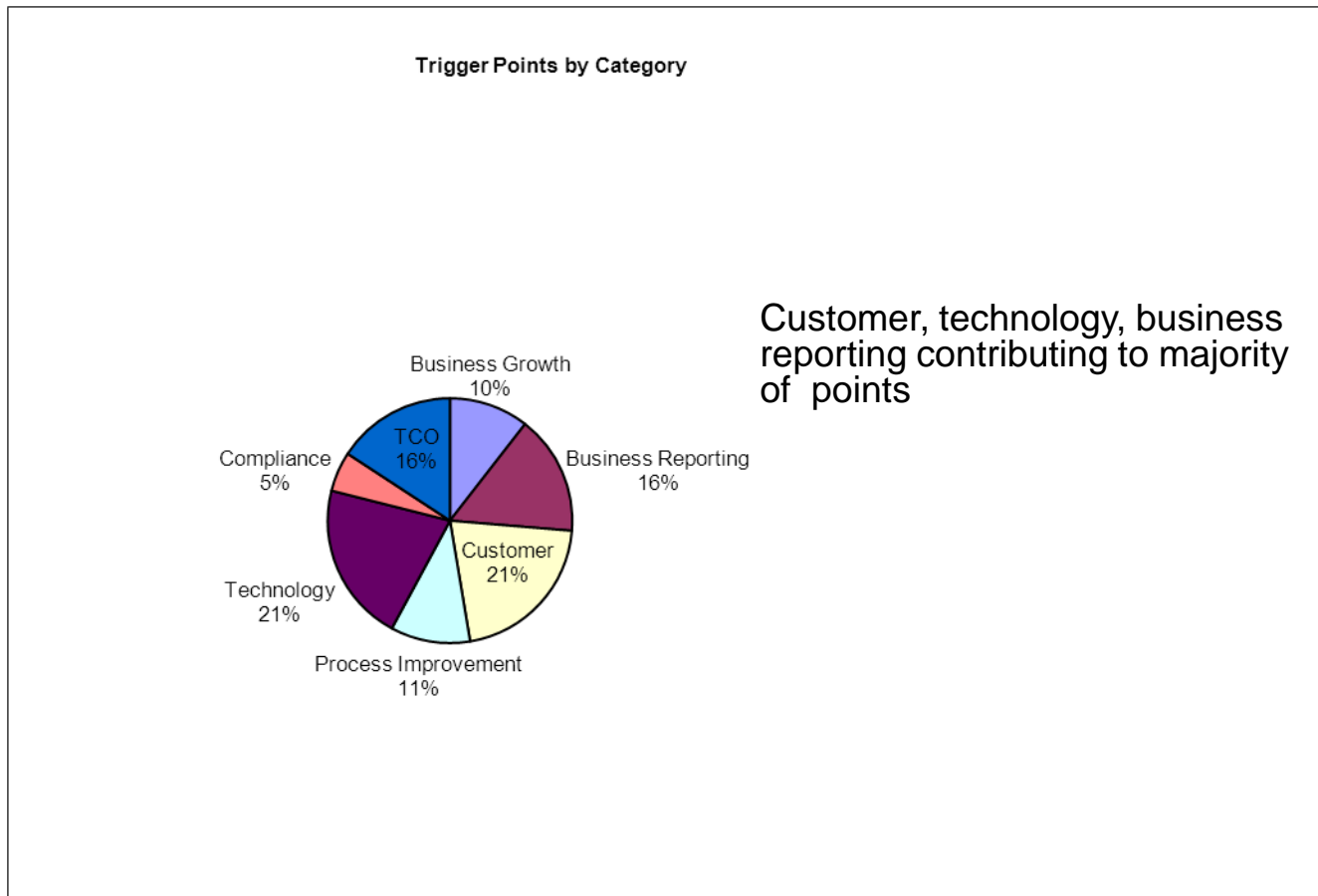
# Case Study Example

## Mid Market Medical Device Company – Trigger Point Analysis

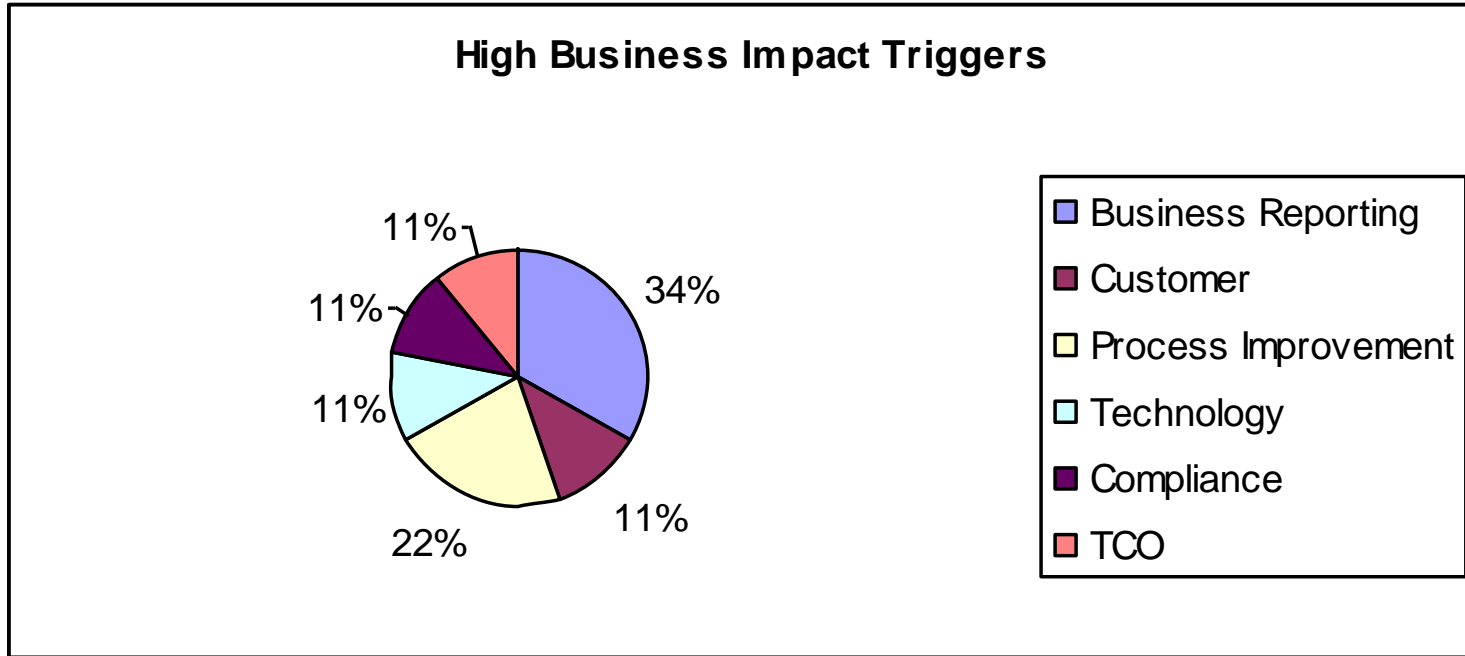
Trigger Points	Category	Trigger Pt?	Business Impact	Timeframe	Dollar Impact
Acquisition different business	Business Growth	No			
Acquisition system difference	Business Growth	Yes	Medium	Immediate	Medium
Business fundamentally changed	Business Growth	No			
Business segment driver changed	Business Growth	No			
Expanding globally	Business Growth	Yes	Medium	Short Term	Medium
No tools for Business Intelligence	Business Reporting	Yes	High	Immediate	High
ERP cannot support Business Intelligence	Business Reporting	Yes	High	Immediate	High
ERP cannot support data for portals or customer	Business Reporting	Yes	High	Immediate	Medium
KPI data on Excel files	Business Reporting	Yes	Medium	Immediate	Low
Major customer ERP more advanced	Customer	Yes	Medium	Immediate	Medium
Customer base changed from US to Global	Customer	Yes	Medium	Short Term	Medium
Major customer have set very high expectation bar	Customer	No	Medium	Immediate	High
Sales force requires more timely, visible data	Customer	Yes	High	Immediate	High
Competitors raising the bar you cannot meet	Customer	Yes	Medium	Short Term	Medium
Data not available to support PI	Process Improvement	Yes	High	Immediate	Medium
Cannot support real time data for PI	Process Improvement	Yes	High	Immediate	Medium
PI shows high non value effort around IT	Process Improvement	No			
ERP does not support Kanban	Process Improvement	No			
IT impacting PI timelines	Process Improvement	No			
Data cannot support ITIL efforts	Process Improvement	No			
Current architecture over 7 years old	Technology	No			
Lack of web based visibility or reporting	Technology	Yes	Medium	Immediate	Medium
Significant critical use of Excel	Technology	Yes	High	Immediate	Medium
Business awareness of new technology	Technology	Yes	Low	Short Term	Low
Awareness of competitor new technology	Technology	Yes	Medium	Long Term	Low
Sox support	Compliance	No			
FDA support	Compliance	Yes	High	Immediate	High
FFA support	Compliance	No			
GAAP/IFRS support	Compliance	No			
Complex application quilt	TCO	Yes	High	Immediate	Medium
Maintenance support contracts	TCO	No			
IT resource non value	TCO	No			
IT resource constraints	TCO	Yes	Medium	Immediate	Medium
High business continuity	TCO	No			
No ability to leverage newer technology	TCO	No			
IT spend is significantly more than average	TCO	Yes	Medium	Immediate	Medium

# Case Study Example

## Mid Market Medical Device Company – Trigger Point Analysis - Categories



## Mid Market Medical Device Company – Trigger Point Analysis – High Impact



Trigger Points	Category	Trigger Pt?	Business Impact	Timeframe	Dollar Impact
No tools for Business Intelligence	Business Reporting	Yes	High	Immediate	High
ERP cannot support Business Intelligence	Business Reporting	Yes	High	Immediate	High
ERP cannot support data for portals or customer	Business Reporting	Yes	High	Immediate	Medium
Sales force requires more timely, visible data	Customer	Yes	High	Immediate	High
Data not available to support PI	Process Improvement	Yes	High	Immediate	Medium
Cannot support real time data for PI	Process Improvement	Yes	High	Immediate	Medium
Significant critical use of Excel	Technology	Yes	High	Immediate	Medium
FDA support	Compliance	Yes	High	Immediate	High
Complex application quilt	TCO	Yes	High	Immediate	Medium

# Case Study Example

## Mid Market Medical Device Company – Trigger Point Analysis - Results

High Impact Trigger Point	Impact
No tools for BI	Product mix was getting more complex quickly – current data structure and reporting did not enables sales analysis, trends, or provide required customer reporting by product mix
Current ERP architecture cannot support Business Intelligence	
ERP cannot support data for portals for customer or reporting	Major customers were looking elsewhere for options
Sales force requires more timely visible data	Customers were demanding visibility to orders and status Competitors were providing this service
ERP data not available or enabling PI efforts	PI efforts especially around fixing DSO were stalling costing company \$\$\$
Critical use of Excel for inventory lot tracking	Excel used for critical lot tracking inventory – very high risk
FDA support	Any responses to FDA cost \$\$\$ and not timely due to lack of ERP transactional inventory history
Complex application quilt	Critical sales order process were a mix of older ERP and single person custom applications – high TCO and risk.

***Company decided to pursue an ERP evaluation. Some main highlights included:***

- ❖ These points provided an excellent management foundation into the ERP selection process
- ❖ Product mix is the life blood of the business growth plans – any significant negative impact to customer acceptance, use, and visibility could risk future business revenue streams
- ❖ Business Intelligence/Reporting must be a focus for long term IT strategy
- ❖ Heavy use of Excel due to lack of current system limitations are putting company growth at risk in many areas including lot inventory tracking, FDA reporting and/or recall capability, and forecasting
- ❖ The company had built several custom critical applications around sales order processes and inventory tracking that were at risk due to lack of internal support
- ❖ A “realistic” ROI was determined based on high impact trigger points.

## Trigger Point Analysis:

- ❖ Review/discuss/communicate management expectations of this “exercise”
- ❖ Determine appropriate categories – review with management or sponsor
- ❖ Business owners develop potential trigger points with impacts
- ❖ Review and DISCUSS with management – Decide on next steps

DO NOT OVER ANALYZE THIS EFFORT – BE BRIEF – BE FOCUSED

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