

CASE 7-2

Real-World Case

Hewlett-Packard SAP Implementation

Hewlett-Packard was founded in 1939 by Bill Hewlett and Dave Packard, both students at Stanford University. They built an audio oscillator—an electronic test instrument used by sound engineers. One of their first sales was to Walt Disney Studios, who used the device to develop and test a new sound system for the movie *Fantasia*. From 1939 to the present, HP has grown and changed as technology has grown and changed, often inventing new and useful technology products for businesses and consumers. They are now a worldwide information technology company headquartered in Palo Alto, California, with \$85 billion in revenues. The company is currently organized into three divisions or groups:

- Personal systems—business and consumer PCs, mobile computing devices, and workstations
- Imaging and printing—inkjet, LaserJet and commercial printing, printing supplies, digital photography, and entertainment
- Technology solutions—business products including storage and servers, managed services, and software.⁵

For several years, Hewlett-Packard had been working to centralize its ERP systems. They had migrated five product groups into two SAP systems and had been very successful. A couple of years earlier HP had purchased Compaq and, as a result, needed to incorporate the two operations into a single model. In May 2004, however, Hewlett-Packard was implementing the SAP ERP system in its largest North American division. Prior to that the ERP implementations in previous divisions were successful, and there was no reason to think that this next one would be problematic. The company had a number of successful implementations under its belt and believed that even though this was a much larger division, there was a good, experienced team that could address most any implementation issues. The Go-live plan allowed for about three weeks of problems and issues related to interfacing between the legacy order-entry system and the new ERP, SAP. The project manager had identified one of the biggest risks and had a plan in place to address the issue.

When the system went live, however, there were some technical glitches between the legacy and the SAP system. Although the problems on the technical side were not a big issue and were mostly resolved in four or five weeks, about 20 percent of orders were stopped dead in the water until the problems were fixed. This created a backlog of orders, and the manual workarounds were not sufficient to keep the flow of orders to meet customer demand. Customers called HP to complain, but, even worse, they called their competitors to deliver the products not supplied by HP. HP had estimated the financial impact at about \$160 million, \$120 million in order backlogs and \$40 million in lost revenue.

The implementation was considered a disaster. It was in fact the result of some very minor technical problems that created a snowball effect on the business. The implementation team did many things right. They tested the system and the interface between the legacy and SAP. The team also trained the end users two weeks prior to Go-live and made them pass a

⁵ Extracted from HP Web site: www.hp.com (accessed July 15, 2006)

test to certify they knew how to use the system. A number of the issues could have been addressed prior to Go-live with some added investigation and more timely training.

CONCLUSION

Hindsight being what it is, the obvious conclusion to be drawn from this implementation is that care needs to be taken when assessing readiness. The contingency plan was lacking and needed to be expanded to include both technical issues and workarounds that also addressed the business issues.

Two specific key components for the end users were problematic:

- The training did not coincide with going live. The two-week period between the training and going live allowed the users to forget some of the details on how to use the system. This may have been alleviated by providing a practice instance for end users from the time they were trained until beyond Go-live.
- The second issue involved more complete testing. In a supply chain ERP implementation, the development of a robust test plan and test data, along with testing using “real” data and “real” customer information, is essential for a successful Go-live. This will ensure that orders can be filled on a timely basis and end users will develop a high level of confidence in the system and its processes.

CASE QUESTIONS

- What are the common threads between the Hugger-Mugger and HP ERP implementations?
- What were the key project management strategies that may have been used to minimize Go-live problems with the HP SAP Go-live process?
- When implementing an ERP system, especially supply chain systems, identifying risks and minimizing them requires planning. Discuss how IT needs to work with the business to address Go-live planning and issue resolution.