Getting the benefits that PLM has promised for years

Management Consulting Operations

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Unfortunately, product lifecycle management (PLM) implementations often fall short of users' expectations. Now, though, leading companies are starting to see a way that PLM projects may deliver the kinds of benefits described in the brochures. One hint: Treat PLM as a critical business system rather than as a productivity tool for engineers—and take the time to agree on a PLM strategy first.

The executives at one industrial conglomerate faced a challenge. The company had spent tens of millions of dollars on a software implementation, but had little to show for it. Too little had been done to align engineering teams with operations staff before the solution was rolled out. As a result, engineers continued to spend valuable time maintaining bills of materials (BOMs) rather than designing new products.

Many PLM implementations have not lived up to their promise of helping businesses manage their product-related information—across lifecycles, supply chains, and value chains—in order to bolster revenue growth. In our experience, many companies are disappointed with the returns on their PLM investments following implementation—sometimes long after.

Fortunately, more and more business leaders, seeing the need for improved PLM capabilities, are taking another run at them. This time, they are starting out by developing clear PLM strategies that pave the way for "measure twice, cut once" implementations rather than rushing into software configuration.

Operational scalability makes PLM more important than ever

The long-term viability of product companies increasingly depends on how well they manage their product information across multiple internal and external functions, from R&D to customer service, as their products and organizations become more complex.

At its core, PLM provides an integrated approach to sharing and controlling critical data so products are built correctly, sourced properly, and costed accurately—an approach that applies to a product offering from concept through end of life. The discipline is broad, spanning product development and supply chain. It is truly cross-functional, involving multiple core processes and extending to the company's key design and supply partners.

Yet PLM has been seen largely as an engineering "sell" rather than as a key enabler for running increasingly complex global businesses. It has tended to be seen more as a one-off program—not as a system that is integral to ongoing business operations. Sadly, there are plenty of instances where companies have worked through many of the PLM challenges, only to have the overall effort fail when engineering managers were unable to convince the C-suite to drive compromises across functions.

Planned and executed well, PLM implementations can significantly improve efficiency and effectiveness—vital as product development spreads across large ecosystems of partners, supply chains stretch around the globe, and as regulatory pressures rise worldwide.

What your business can do to enable PLM success

So what does it take to rejuvenate a struggling PLM initiative, or to get a new one off to a good start? The scope and scale of most PLM implementations demand answers, of course. The reality is that PLM systems are different than other enterprise systems such as customer relationship management or enterprise resource planning systems, and therefore have their intricacies. PLM applications behave differently, their user communities are often more demanding, and the relevant business processes often cross more organizational boundaries.

With those caveats in place, the following actions can make a huge difference:

- *Tie PLM strategy shoelaces before running.* Many companies now understand that PLM success starts with PLM strategy. That means getting clarity about how PLM can help the organization attain its business objectives, and then establishing the governance and the continual executive leadership needed to facilitate success over the long term. As relationships between engineering, supply chain, and external partners become more complex, securing the right cross-functional sponsorship becomes critical to implementing the strategy and delivering the benefits.

- *Agree on a clear, simple business rationale for PLM.* If only one side—the engineering team, say—is driving a major PLM initiative, then the odds aren't as good that the other groups, such as manufacturing, will support the proposal. We've seen several instances where one group balks—sometimes withdrawing their funds and/or resources—when their critical functionality falls later on the PLM roadmap than that of another group.

- *Get all sides speaking the same language.* A recent discussion with a top development engineer highlights the challenge: He continually asked about PLM, but it turned out that he really meant computer-aided design. Such confusion can be really damaging,

especially when trying to get R&D and operations teams to sit on the same side of the table. This is more critical with PLM than with most other large enterprise solutions because functional managers are often confused by the terminology used by software vendors. Only when there is concrete agreement about the meaning of terms such as "bill of materials" can there be talk about who "owns" various PLM processes and how they should be managed. Neutral third parties can help pinpoint these disconnects, and facilitate the first meetings to set consensus around the offending terms.

- ***Don't hand off to IT.*** Too many companies treat PLM as an information technology (IT) system implementation job. If the business leadership assumes that the information systems component is the primary source of benefit, it may hand over the responsibility to the IT department, with only a perfunctory business process analysis. But that rarely works—and it isn't really fair to IT. Certainly, IT will need a seat at the table since it will play a significant role in implementing the solution. But PLM must be owned by the core *business* functions involved: R&D, manufacturing, supply chain, finance, and others.

- ***Demonstrate success with a carefully chosen, highly visible pilot.*** Management often agrees to support PLM programs, but doesn't always have the intestinal fortitude to drive such large and complex initiatives. A better approach may be to start with a pilot program in a business unit whose outputs everybody agrees are mainstream and substantial. This approach starts to defuse the "yes, but it'll never work here" argument. While there are many examples of successful small-scale PLM roll-outs, they often occur in business units that are the products of acquisitions, and therefore are seen as more likely to succeed. With a highly visible pilot, using industry-standard processes and practices, the organization can quickly prove feasibility for the organization as a whole. So there must be a plan not only to celebrate the "quick win" but to follow it with expanded PLM trials.

Clearly, effective PLM implementations require a fusion of classic change management disciplines as well as deep knowledge of business operations and a rock-solid grounding in engineering. For many organizations, an early challenge may be to convince senior management to release additional funds for the change management initiative needed to improve the likelihood of a flawless and successful implementation.

Such challenges should not dampen the resolve of business leaders to get their PLM deployments right, and to reap the rewards of doing so. The tools are highly capable—quite enough for PLM to deliver the benefits it has promised for years. Governed, managed and executed well, PLM has the potential to become a true strategic capability—helping to drive innovation across a product's lifecycle. The way forward is clear. Now there must be the will to follow it.

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