



Developing a Business Justification for PLM

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Companies wanting to develop a business justification for Product Lifecycle Management (PLM) too often focus solely on up-front acquisition expenditures and fairly narrow departmental savings. Such a limited return on investment (ROI) appraisal, however, can discourage companies that don't realize the far-reaching business benefits of PLM, or disappoint them later with unanticipated expenses. A balanced approach helps avoid these problems with a thorough evaluation of total cost of ownership throughout the life of the system versus enterprise-wide, long-range benefits.

In determining total cost of ownership, companies generally have little problem figuring acquisition expenditures for software licensing, training and hardware infrastructure. But these up-front costs can be small compared to on-going expenses for items such as support, maintenance, upgrades, system expansion, system administration and customized software.

Some of the highest hidden costs are associated with organizational process changes to support business transformation. Properly implementing PLM requires workflow, procedures and standards to be closely examined within the company as well as in the supply chain and partner organizations. Such assessments should be performed for the entire product lifecycle and can be far-reaching, with organizational and process change investments typically representing some of the most demanding drains on PLM budgets. Given this broad perspective, the annualized on-going costs for PLM implementations can range from 20% to as high as 50% of initial acquisition costs.

These costs amount to a significant level of commitment, and final figures can appear daunting. If PLM is properly implemented, however, huge business benefits can far outweigh these expenses. Accessing data in seconds instead of hours or even days increases personal productivity significantly, for example. And the ability to streamline workflow and improve overall operational efficiency has the potential to save time and money on the group and department level. The greatest savings arise from organizational improvements, with systems enabling collaboration across the extended enterprise and leveraging information throughout the product lifecycle. CIMdata research of companies that have implemented PLM solutions indicates that typical ROIs range from 100% to 300%. Of course, some companies have not achieved these returns, while others have far exceeded them.

The benefits for overall business performance from these capabilities are enormous, allowing companies to increase market presence and profitability through improved customer relationship management, increased ability to respond faster to market changes, delivery of more innovative products, better management of resources, and more. The positive impact of such sweeping change can be staggering, which is why organizations are implementing PLM in record numbers and the approach has become a competitive necessity for companies worldwide.

About PLM

CIMdata defines PLM as a strategic business approach that applies a consistent set of business solutions in support of the collaborative creation, management, dissemination, and use of product definition information across the extended enterprise from concept to end of life—integrating people,

processes, business systems, and information. PLM forms the product information backbone for a company and its extended enterprise.

About CIMdata

CIMdata, an independent worldwide firm, provides strategic consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM) solutions. Since its founding more than 25 years ago, CIMdata has delivered world-class knowledge, expertise, and best-practice methods on PLM solutions. These solutions incorporate both business processes and a wide-ranging set of PLM enabling technologies.

CIMdata works with both industrial organizations and suppliers of technologies and services seeking competitive advantage in the global economy. In addition to consulting, CIMdata conducts research, provides PLM-focused subscription services, and produces several commercial publications. The company also provides industry education through international conferences. CIMdata serves clients worldwide from locations in North America, Europe, and Asia Pacific.

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