

WHITE PAPER



6 STEPS TO ERP IMPLEMENTATION SUCCESS

Six Steps to ERP Implementation Success

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Like a civil engineering endeavor or sizable construction project, implementing an enterprise-wide application like an enterprise resource planning (ERP) system to help run your business is a costly and complex process. And just as would be the case with any significant undertaking, success is not a given. A certain amount of planning, discipline and wisdom are required to complete implementation in a timely manner and to make sure that the new enterprise system put into place meets the requirements of your business.

Those embarking on the implementation process will find no shortage of advice on the Internet, but the sheer volume of material may lead to confusion and could even contain contrary advice. From the standpoint of someone who has been involved in application selection and implementation for more years than he cares to admit, here are seven steps to success that are short and to the point. I hope they help you achieve your goals.

Define success.

This sounds simple, but actually requires some work. If you don't have a firm grasp of where you are going, you are likely to wind up nowhere in particular. And when you are spending a large sum of money to implement your ERP application, you definitely do not want to find that you have gone through the expense for nothing! All too often, we will encounter companies whose senior management has only a vague notion of what deliverables they want to see from implementation.

In general, an ERP package can help you grow revenue, increase productivity, improve efficiency and manage costs. All of these are desirable outcomes, but there is work involved in determining exactly how an enterprise system can solve problems that allow you to achieve these goals.

An experienced implementation consultant can help solidify these deliverables and an associated action plan, but this means that senior managers of the company

must submit to some educational activities. Keep in mind that the root word of education is “educe,” which means to elicit or draw out. This education process consists of debriefing and organizing information rather than lecturing! No one who has been in this industry for long will try to tell the senior executives of a successful company to run their business. To the contrary, a good consultant will draw out of you the information necessary to drive a successful implementation.

Whether you are working with a consultant or not, the more detailed an idea you have going into application selection and then implementation, the more likely you are to choose the correct application for your needs and to have that application configured in such a way to grow your business. Before the selection process begins, it is important to precisely define the problem you are trying to solve. Are there specific business processes you need to systematize or best practices you need to adopt? Do you need to shorten product lead times or reduce returned materials – and if so by how much? Are there requirements of specific quality programs or regulations to which you must adhere? And perhaps most importantly, how will solving these problems pave the way for business growth?

Sometimes the problems you are trying to solve are related to business growth but rather business consolidation or even shrinkage. Oftentimes, companies that have grown by acquisition find that they are running very different business systems across their newly established enterprise, and need to standardize on a new, more modern business platform in order to begin functioning as a single business entity. Sometimes these acquisitions cross national borders or span oceans, and that means these new business systems need to run in multiple languages and currencies. And in manufacturing, the trend towards outsourcing presents its own business challenges. Manufacturers that might have in the past made almost everything they sell must now manage extended supply chains with the same or greater precision with which they had formerly managed their own plant. Not every enterprise application is designed for the challenges of this new Project Economy, and even in a best-case scenario mapping out how an extended supply chain needs to operate is a real undertaking. In situations when enabling top-line growth is not the goal, these various process-oriented and systemic goals need to be quantified.

Set priorities.

One simple fact of ERP implementations is that the number of problems that can be identified and opportunities for improvement are, if not infinite, nowhere near as

limited as the number of dollars or people available to undertake solutions. That means that it is important to prioritize your problems and goals.

The good news is that modern enterprise applications are granular enough in their construction that you can implement some functionality immediately to meet your most pressing needs, and then expand the application's footprint to address additional needs in priority order. This can also allow more time to fully master the operation of the application. Step-by-step implementation can reduce the information overload that can overwhelm even the most diligent and intelligent managers and end-users when forced to learn new processes, screens and systems of an ERP system.

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For many companies, it makes sense to start by implementing core functionality necessary to replace what was provided by existing systems. Once the company can run comfortably in this new environment, there is a solid foundation on which to place additional functionality for process and improvements and new business capabilities starting with the most pressing deliverables.

Setting priorities can not only separate phase one from phase two, but can also separate the wheat from the chaff. Brainstorming sessions with departmental managers and end-users can provide some useful input for what can be done with an enterprise application. But some ideas put forward by an implementation team should not be taken up. Which brings us to our next point.

Avoid modifications.

With very few exceptions, modifying the source code of an enterprise application is a bad idea. When we use the term "modification," we are not talking about customization or configuration that should be easy to achieve with a modern, powerful ERP either before or after implementation. Even individual users should be able to customize their screen views and work environments, but a vast array of configuration options should be available at the enterprise level, and an even wider array of changes possible with an optional programming tool kit – all of this without modifying the code.

Modifications require the application vendor to changes to the source code that the application runs on, and that increases the total cost of owning the application in several ways.

- Modifications increase the cost of implementation as custom programming becomes necessary to meet the specific demands. Modifications also increase the cost of implementation by lengthening the project timeline.
- Modification increases the cost of technical support because a software company's personnel must maintain the modifications in its code management system.
- Modification increases the cost of upgrades as the modification must in most cases be "uplifted" each time a new version of the software is implemented. And this process once again lengthens the project timeline for the upgrade, increasing both hard costs and the soft costs that can be felt across an organization.

If you select the correct enterprise application, you should not need to modify it in order to run the essential elements of your business. In some industries, there are business conventions or processes that an enterprise application really needs to allow for, and some application vendors align themselves closely with specific vertical industries so they can deliver this type of functionality as part of their core offering.

But even when all of the pieces are in place for you to meet your business goals with ERP, some individuals within the organizations may pressure senior management to make changes to the application. What results is often a long list of "necessary" modifications, many of which fall into the category of the "convenience mod." Convenience mods are things like data entry aids and alterations that would make it easier for a particular individual or department to perform their duties but perhaps more difficult for another. Other convenience modifications are designed to make the new enterprise environment look and feel more like the old one.

Are there legitimate modifications that make sense? Rarely. Even if a modification could actually help enable business processes, the cost of the modifications in the immediate to long term often outweigh the benefit. So whenever possible, commit to implementing an application "vanilla" – with no modifications.

Prepare for change.

Even when change is good, it is stressful. And that is why the more you prepare your executive team, their staffs, even your customers and suppliers for the change that an enterprise application represents, the easier time you are likely to have.

Senior executives may have an easy time adapting to a new system because in many cases, they will only see the reporting and metrics delivered by the system. IT professionals may have an easier time than others because they understand and can get excited about the actual technology and what it can do. The people who will really need the most hand-holding and consideration will be departmental managers and end-users. Employee inertia can be a powerful force in derailing an ERP implementation. Before moving forward with an ERP project, consider meeting with a business process consultant to assess current practices and make recommendations for ways to ease into the changes.

There are many effective ways to create employee buy-in for the new system—the most important being good communication. It is imperative that employees understand that the changes, although frustrating, add greater value to the organization as a whole. Open discussion of how process changes and improvements brought by this major change can increase the health of the enterprise can in turn allow employees to see that their own position will become more secure – and that there could even be opportunities for growth that result from the change.

Extensive exposure to the new system and hands-on training can help make the unfamiliar familiar, alleviating the anxiety that comes with the transition. Indeed, the more end-users get to know the inner workings of the new enterprise environment, the more they will become confident in their abilities, take ownership and become valuable contributors to your success.

Gain executive support.

Executive support for and involvement in an ERP selection and implementation project is vital. Executives are responsible for creating a vision for success, motivating the project team, procuring necessary resources, and making high-level decisions based on team recommendations. An ERP project without active executive support and involvement can quickly founder. Moreover, without very visible executive support, it is common to experience more resistance to the new systems and processes that end-users are faced with.

In cases when an ERP system is being considered before C-suite occupants have bought in, you may want to consider conducting a business case analysis to determine the expected return from the project. Armed with defensible data on the benefits of the project, it is a lot easier to sell bottom-line-oriented execs. If you lack the capacity to conduct an analysis internally, external consulting organizations can assist with this task. The results of the business case analysis should provide executives with solid data that they can leverage for decision making. If anything, outsourcing the business case analysis may be regarded as more objective than an analysis conducted internally.

Bottom line – an ERP project without executive support will:

- ***Likely not address the strategic needs of the company not only now, but into the future.*** More junior managers are often not privy to the long-term plans that an ERP system that can have a lifecycle of decades must be prepared to address.
- ***Often be starved for resources.*** An enterprise IT project is not a one-time expense, but represents an ongoing investment. The implementation itself can take months, and years after that additional functionality can be added. If at any point during that time executive support is soft, the entire project is in jeopardy.
- ***Miss the mark in terms of the strategic needs of the company.*** IT professionals and line managers are focused on their own functional areas. While middle managers are busy working IN the business, it is the job of senior management to work ON the business. That is why the C-suite residents need to be in on the ERP implementation process.

Budget dollars and people.

The licensing, implementation and maintenance fees involved in an ERP project are only part of the true cost. Yes, it is important to establish a budget for these hard costs. But it is probably harder for most organizations to budget the personnel and expertise to ensure implementation success.

People are probably the most critical and constrained resource in any implementation process. Success absolutely hinges on involvement of people from each area of the company, each department and functional discipline that is affected by the project. Moreover, not just any departmental or functional representative will do. Your results will depend largely on the knowledge and experience of the people you can

devote to the project. Assign people who have a deep understanding of your company, its processes and the industry you are working in. If they also have the respect of others within the organization, that will give them the clout to gather the information necessary to inform the planning process. It will also help them influence their peers to gain acceptance of the solution once it is arrived at.

Once you identify the best people to sit on an implementation team or committee, it's time to really bite the bullet. These people will need to commit a substantial portion of their time to the implementation process right up until go-live. This means others within the company will have to pick up some of their work load, and it may be necessary to bring in temporary or contract employees to pick up the slack.

There is one member of the team who almost by definition must devote their entire efforts to the project. Every team needs a project manager who can lead the team and ensure they establish a project plan and adhere to it. It is often beneficial to recruit a project manager from outside of the organization in order to find the right mix of talents.

Success is simple!

Achieving success in your ERP implementation will be the result of choosing the right application, surrounding yourself with the best people and making decisions that are informed by common sense and the experiences of the thousands of other companies that have gone before you. Just remember that everyone from the application vendor to the implementation consultant is trying to sell you something, and it is up to you to perform the due diligence to make sure what they are saying is true and that selecting their products or services is in the best interest of you and your company. The more you immerse yourself in the process and the more questions you ask, the better results you will achieve.

Michael Hawksworth brings over 28 years of experience providing clients with information systems consulting services as the Chief Executive Officer at MSS Technologies, Inc. He was co-founder and President of Micon, Inc., started in 1986. Micon, Inc. provided information systems services to the electric and gas utility industry. Under his direction, Micon, Inc. grew to an Inc. 500 company in 1991. MSS Technologies was spun-off from Micon in June 1992 with Mr. Hawksworth as President, becoming an independent and separate entity focused on providing cost effective business application solutions, including ERP implementations, to mid-market companies. Michael started his information systems consulting career with Arthur Andersen & Co.'s Management Information Consulting Division, now Accenture, after receiving a Bachelor of Science degree in Computer Information Systems from Arizona State University in 1979.

About MSS Technologies

MSS Technologies, Inc. is a leading provider of business application solutions in the western states. For over 18 years, MSS has helped small and mid-sized companies manage their business processes by applying the proper technology to them.

MSS is a full-service provider of business application consulting services ranging from strategic IT planning projects to the implementation of Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Supply Chain Management (SCM), Knowledge Management (KM), and e-Commerce solutions.

MSS differs from other consulting organizations because we believe in empowering our customers during the implementation process. We collaborate with and educate our clients about ERP during the implantation process in order to reduce your cost, increase ROI, and increase your understanding of how ERP can be adapted to your needs in order to facilitate self-sufficiency and ownership independence.

For more information, go to www.msstech.com.

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IFS Applications provides extended ERP functionality, including supply chain management (SCM); enterprise asset management (EAM); maintenance, repair, and overhaul (MRO); product lifecycle management (PLM); customer relationship management (CRM); and corporate performance management (CPM) capabilities.

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