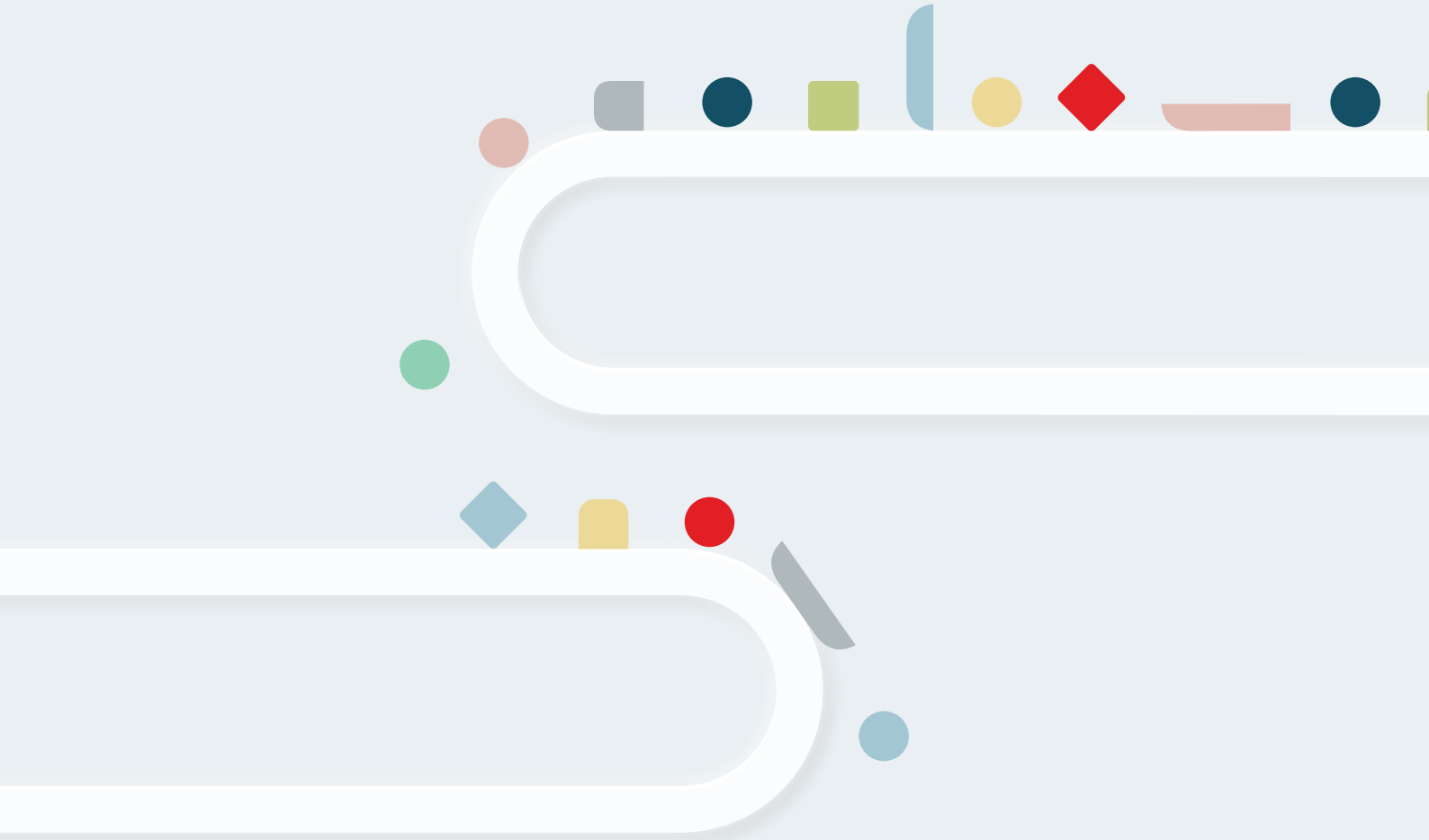
Planning for a Successful ERP Implementation



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Introduction

Companies have a number of compelling reasons to justify moving to a standard enterprise resource planning (ERP) solution. By supporting a single system rather than several smaller and disparate systems, they can enjoy economies of scale. Additionally, having a single application architecture with fewer user interfaces creates lower integration costs. Plus, with common task automation and easier access to more information, businesses gain efficiencies not available when employees use multiple systems.

Although the case for moving to a single ERP system can be relatively straightforward to make, the costs and impacts are sometimes easy to overlook. Companies should take into consideration a number of factors to help ensure a successful implementation:

1. **Build a cross-functional team**
2. **Set proper expectations to manage change and risk**
3. **Create new business processes in sync with the new system**
4. **Implement a controlled scope**
5. **Make the necessary time and financial investment**

Addressing these areas early on in the process can make the difference in whether the ERP implementation is a success in the long run. This paper will highlight the importance of each factor and provide recommendations on how to ensure an efficient ERP implementation.

1 Build a Cross-Functional Team

Implementing a new ERP system inherently means addressing how the business should run now and in the future. Creating new business processes, determining the necessary reporting, and identifying potential software configurations require input from many areas of the organization. By building a cross-functional team, companies not only improve the likelihood that all areas of the business are addressed, but also help create the necessary buy-in that will drive the project's overall success. All cross-functional teams should include certain key organizational functions such as project management, IT, and executive management.

Project Management—This function manages a project based on the scope, resource constraints, budget, and key milestones. Few organizations have the experience and bandwidth in-house to run a project as complex as implementing a large-scale integrated ERP solution. For companies that do not have these resources, it is advantageous to partner with an implementation vendor with dedicated project management resources that follow a proven methodology. When working with an implementation vendor, you'll want to follow a "stage-gate" process, with formal sign-off at key milestones within the implementation methodology.

This signifies that both the implementation partner and the business agree that each stage is complete, deliverables have been met, and the project can continue to move forward. Implementation teams also require some type of repository or secure portal where all parties involved can access materials, status updates, and any other pertinent information relating to the project.

IT—When implementing an ERP system, most companies are upgrading from older technology—usually a more legacy ERP solution. To keep pace, the IT staff may also need to upgrade skills and proficiencies. Some key areas that the IT team will need to prepare for during the implementation include:

- Understanding the hardware configuration to support good system performance
- Extracting data from their legacy system for conversion to the new ERP system
- Downloading and applying patches and service packs, if applicable
- Developing best practices around maintaining a test environment for testing new releases, customizations, or program fixes

Leaders often underestimate the time a change of this magnitude may take. By having IT representation on the cross-functional project team, businesses can catch these potential gaps early, and choose the best option to address them:

One way is to invest in the necessary training required to prepare IT employees to manage such a system. Another option is to participate in a managed service, where the ERP provider remotely manages and maintains the system on the company's behalf, leaving the internal IT resources available for more strategic initiatives. Either way, businesses should not dismiss the effort involved in building interfaces, changing reports, configuring the software, and converting the data. It is critical to have IT involved early in the implementation planning.

Executive Management—The executive management function serves as the project's cheerleaders, referees, and coaches. Implementation projects need senior executive involvement to ensure the right participation mix from the functional leaders, subject matter experts, and IT. They are also needed to resolve any internal conflicts. This buy-in needs to be consistent from day one and continue through go-live.

To successfully take on a new ERP system, an organization also needs to address its corporate culture—an activity best driven by executive management. Corporate culture is a combination of two things—the type of people who are employed by a company, including their personal values, skills, habits etc.; and the way the organization works, including the focus, decision-making process, attitude towards its staff, stability, etc. Both feed off one another.

To ensure a successful ERP implementation, organizations need to become almost obsessed with detail. They need to have business practices that are adhered to, rather than just being documented once and forgotten. Employees also need to increase focus on profit and how the whole organization is impacted by their work, because ERP makes profit far more measurable—down to the department, customer, and material levels. ERP requires employees to understand the "big picture" and how their individual areas have impact in places they may never have envisioned. Employees can no longer just leave a problem for the next employee in the process because it makes their job easier, as ERP is truly a collaborative environment.

Data integrity and how it is collected also becomes critical. Many times, data collection is overlooked, but, it is one of the most valued processes that contribute to the return on an ERP investment. For example, in the case of inventory moves, the user must follow the adage, "Tell the system what you know, when you know it." By not doing so, the business would be inaccurate in relieving load on the schedule, moving things to the next stage of the process, issuing raw materials, and capturing real-time labor.

2 Set Proper Expectations to Manage Change

Now that the cross-functional team is in place, setting proper expectations with the core team as well as the broader employee base is critical. One area that needs to be addressed at the implementation onset is the time commitment required by core employees to participate on an implementation project team. Because of the disruptive nature of this project, many of the activities will take a significant portion of the employee's day. There will be times when team members will need to engaged in their current job and also be working on tasks such as testing or file cleanup.

A company also should set proper expectations to help manage the change that all employees will experience, using change management techniques prior to the change happening. Change management is about getting the business proactively prepared. If users are prepared prior to go-live that there may be some interruptions in their typical day, they are less likely to reject the system if something does not go according to plan. On the other hand, telling staff that this is going to be a "great new system" with "no problems" can only lead to disappointment and possible rejection if challenges arise.

Change management is a measurable and fairly straightforward process. If properly managed, a company can evaluate how its employees feel about the changes over a period of time, and how they shift in their expectations. There are a number of techniques designed to forecast and mitigate stakeholders' resistance to the change:

- **Defining project success criteria**— This can include naming measurable goals and key performance indicators (KPIs), many of which were used when creating the business case for moving to the new ERP solution.
- **Performing an infrastructure analysis**—This determines all requisite human, technological, and other resources that the core team needs to help ensure the project's success. Once they define these resources, team members should continue to monitor assumptions, risks, dependencies, costs, return on investment, and cultural issues that may impede the progress of the associated work. As the project progresses, they can address any areas that may affect its outcome.
- **Designing a communication plan for all stakeholders**— Successful communication pieces inform various stakeholders about the details and reasons for the change. They will also highlight the benefits stakeholders will enjoy as a result of the new system and its capabilities. One good method is to email newsletters or hold meetings for the implementation team and other stakeholders on a regular basis, presenting timely updates on the project's progress.
- **Developing a plan to create enthusiasm and gain project momentum**—This can include fun or creative activities to motivate stakeholders, along with education and training to help ensure stakeholders will have the support they need to be successful with this change.
- **Leveraging executive sponsors**—Having the executive sponsor highlight the project's importance is key to overall project buy-in from the stakeholders. This can also help counter any resistance from employees and to align them to the organization's overall strategic direction.

A strong implementation partner will educate the company on possible implementation challenges, develop proactive strategies to overcome resistance to the change, and promote a quicker return on investment.

Another dimension of the cultural change is the timeframe in which the change happens. Implementation initially occurs fairly quickly over a few days during go-live and moves the whole company to a more structured and rule-based environment. No matter how much training and preparation takes place, it cannot prepare everyone for that reality.

There are always a few employees who still do not feel ready for such a change. Others will embrace the new system and see its positive features immediately. This second group of people were most likely frustrated with their previous solution. They will jump at the chance to make use of the new technology and even become future “super users” who can train others, potentially winning over the detractors as the project moves forward.

3 Create New Business Processes in Sync With the New System

Although it may appear to be the "path of least resistance" not to change business processes when implementing a new ERP system, in the long run the opposite is actually true. In most cases, companies that try to keep their current business processes eventually run into the same issues with the new system that they did with the old one. Retaining current business processes while paying the cost in time and money to change the new system can greatly affect a company's budget compromising future system upgrades.

With a sound business case, planning, and user availability to make decisions on configuration, companies can be successful at adopting new business procedures during an ERP implementation— with the proper guidance, can effectively change the way people work. An implementation partner can assist with defining and mapping these new end-user processes, based on both the company's and industry's best practices. Having a sound understanding upfront of how the business will run, not just during but after the implementation, provides more time to manage the change and prepare employees for it.

ERP systems tend to replace either manual processes or older disparate systems. As such, it can seem like a quantum leap to replace the old and familiar with the new and sleek. This leap happens at a technology level as well as at a business level.

For example, when using the new ERP system, whatever happens in one area of the company has a ripple effect in other areas. Understanding the implications that actions by one part of the company have on another part is critical when looking at process improvement.

Similarly, the balance between what is currently done manually and what will be done automatically by the system will shift dramatically after the implementation. Many more tasks can be automated and may thereby significantly reduce the flexibility of how the business operates, while also providing a new level of data consistency. The system's configuration will determine how the company operates in all locations or even within a single location. For example, if the system configuration states that the company can offer 0, 15, 30, or 60-day credit terms, then offering 45-day terms is not possible without changing the configuration. Where consistency can be implemented, there is good potential for cost savings, as well as the opportunity for getting rid of "special" arrangements that can reduce profit.

4 Implement a Controlled Scope

Being strict with the original project scope is critical. Many times, changes are justified; however, be aware of the “candy-store effect” when users discover the new, rich ERP functionality and suddenly want it all now. This needs to be addressed before the scope changes beyond control. Determining the implementation scope early and holding steady to it helps ensure a timely and on-budget implementation. Many companies take a planned, phased approach to their ERP implementation by prioritizing the key functionality they need on day one immediately, versus the “nice to have” functionalities that can wait until a later phase.

A phased approach allows the implementation team to focus on the company’s mission-critical items , working to bring that software live as quickly as possible. In addition to realizing a return on investment earlier, the “win” experienced by the team in successfully completing the first phase of the project will be motivating. Initial success drives momentum for the second-phase scope.

5 Make the Necessary Investment

Project team leads and endusers need the time to get proper training, which may occasionally strain operations. However, end-user adoption rates have been linked directly to the success and return on investment of ERP implementations. Be cognizant of the various learning styles adult learners have, such as visual or auditory, self-study or instructor-led, hands-on or observant.

Companies should have a variety of training options, resources, and tools available not only before the implementation but on an ongoing basis, as business processes and technology change.

Consider holding “lunch-and-learns” in which the company provides training over a group meal. Many people learn best in a team environment, where they can share thoughts and ideas with their co-workers. Many companies also provide a space where at any time, users can access the new software on individual workstations. They can also access the training content from these computers to practice their end-user procedures in a hands-on “learning” mode, without fear of making a costly mistake. This room is potentially where all of the business processes that are being implemented are documented on whiteboards or other displays. This environment benefits users by removing them from the daily distractions often found when working at their own desks, such as email and phone calls.

Putting It All Together for a Successful Go-Live

By understanding and addressing the five factors discussed above, companies can help ensure a timely, in-scope, and on-budget implementation. Creating cross-functional teams early on, with executive sponsorship and proper expectations set throughout the organization, are keys to success. Taking into consideration how the business can run differently after implementing an ERP solution will allow for the greatest return on investment from the new solution. Being prepared up front for these changes, both from an operations and corporate culture perspective, will make the transition less challenging. Keeping the implementation project scope in check by using a phased approach when introducing new ERP features is important for user comfort. Overall, implementing an ERP solution is both a financial and time investment. Making sure everyone in the company understands the importance of these investments upfront will reduce surprises and create harmony during the implementation. Finally, having a long-term implementation partner to help provide guidance in these areas throughout the process will deliver added value and help ensure a successful implementation.

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