PSC White Paper

ERP: *Success is the Only Option*

Tips for avoiding failure and meeting expectations

Enterprise Resource Planning (ERP) is a business management solution that has two major elements. The first is the body of knowledge that defines how to manage your business. The second is the software that enables your company to implement computer applications, which support the processing of this common body of knowledge. Understanding that ERP is a facilitator of best practices is most important. The software industry has done a tremendous job of delivering high quality processes based on this standardized body of knowledge. Basic functions such as material requirements planning, master scheduling, and demand planning offer processing capabilities that at meet or exceed the needs or capabilities of the business.

In the 1990's, during the packaged software boom, the emphasis was on implementing host enterprise systems that brought together the various steps in a company's business process. ERP systems were all the rage as we took a product-centric approach to increasing productivity. This was a good start, but as the economy headed into a downturn, the enthusiasm for ERP quickly faded as several vendors were either acquired or went out of business. Now, in 2009, ERP is making another surge, but this time, under different circumstances.

We are in a different "ERP World." Collaboration in a global market place is the mantra. ERP is now spreading its reach outside of its traditional domain to customers and suppliers everywhere. The steady stream of mergers and acquisitions is also making ERP "part" of the process. Because ERP is an integral component to a successful enterprise business management solution, the installed ERP system will likely be a factor in the decision to acquire or merge with the target company.

As technology evolves, how your business process management systems support your corporate strategies needs to be rethought. The use of integrated mobile technology and the expanded use of the web combined with intelligent work flow and collaborative processing are serious considerations for your competitive edge.

New questions, new answers, and new opportunities

Many ERP implementations have not delivered the anticipated improvement in productivity and return on investment (ROI). The reasons are typically the same as those found on a critical factors or reasons for failure list as published by many ERP vendors and ERP consulting firms. This list includes:

- Unclear project goals and objectives
- Unrealistic expectations at all organizational levels, leading to disappointment and resistance
- A project team that is not unified in its goals and therefore sends mixed messages to the company
- Multiple, concurrent change initiatives
- Irregular, ineffective, generalized communications
- Inadequate resources and/or time available for implementation
- Lack of visible, on-going commitment from executives, project leaders and sponsors
- Inadequate project team and end-user education
- Misalignment between changed work processes, new technology, and organizational roles and responsibilities
- Disagreement / disputes with new roles, responsibilities, or performance criteria

It's all in the way we listen.®

PSC Group is a business technology consulting firm that has been delivering high value solutions focused on significant cost reductions and risk mitigation to our clients since 1990. Headquartered in Chicago with branch offices in Overland Park, KS and Minneapolis, MN, we have a history with our clientele that is based on mutual respect, integrity and honesty.

PSC was built as an alternative resource for organizations that believe they deserve greater attention than what they would typically receive from the very large global firms. Our areas of expertise include enterprise systems, systems integration, collaborative supply chain solutions and business process improvement. We focus on solutions that help our clients achieve their strategic business objectives. Our process begins in the way we listen, and ends with our clients experiencing a greater return on their investment.

CONTACT

Jeff Ney
office: 800.592.8003
direct: 913.234.8170
jney@psclistens.com

PSC Group, LLC
Chicago, Kansas City, Minneapolis

www.psclistens.com

Over the last 20 years, PSC has been helping our Clients with ERP implementation and business process integration. We have come to many of the same conclusions. Although the list is generally applicable for any project, we believe that ERP implementations tend to have the most visibility and, therefore, receive the most press. That said, we would like to add our own perspective on what we believe to be the key contributors to creating a more successful ERP implementation.

Information Runs the Business

Keep your focus on the access to, movement of, and sharing of information. It is not the ERP system itself, but the information it processes that actually runs the business. Although historically considered a cost center, information management, as a concept, is being moved into the main stream of executive thinking. Instant access, dashboards, mobility, and collaborative sharing are now core to the business value proposition. Never before has the link between the management of corporate information and the performance of a business been stronger.

ERP applications enable businesses to process information consistently, but by themselves, they do not solve business problems. It is still the people within the corporation that use their skills, experience and education to solve business problems. Businesses that are successful with their implementations contain the role of ERP. While ERP applications are valuable enablers that facilitate business modeling, they are not, in-and-of themselves, the cure of all things for all people within the organization.

Be Mindful of Change Management

Involve all levels of the organization from day one. ERP is a complex, interwoven collection of business functions that touch just about everyone in the company. Potentially, everyone becomes a stake holder - successfully implementing ERP is not a spectator sport. IT cannot do the work while everyone else watches from the sidelines.

An ERP implementation and change management become one in the same. All stake holders must be part of the planning and selection process. The more input up-front, the greater the acceptance down the road. The added benefit of this approach is quicker problem resolution during implementation. The more eyes and ears you have on the job, the earlier their discovery, containment, and resolution. The more people you have involved, the more people who will become part of the solution, and the fewer who will be left behind to become part of the problem.

Get Help

Hire a consulting firm. How many times have you successfully implemented an ERP system? How often have you implemented an ERP application? Most companies do not retain the resources and experience needed to implement ERP systems – that is not their job or area of expertise. Spend the time to know and qualify the best talent – you are looking for a partner – a trusted advisor. The software vendor is a great resource for training and addressing technical issues, but may not be the best resource for managing your implementation.

Consider reaching out beyond the realm of the software provider to someone who understands business processes. Consider a system integrator and the advisory service professional. Their success becomes your success. If you contract for consulting services, regardless of the source, ensure that you create an environment of open and frank communications. It is the difficult issues and problems that need to be addressed – not the good news.

ERP Must Become Agile

ERP has the reputation of being a transaction tool that is fast to process but slow to change. It does the same thing over and over again with a high degree of accuracy and at blinding speeds. We have witnessed a change in how ERP software vendors approach the need to be agile. It used to be that software providers and system integration consulting firms warned about the risks of changing the software. This hard and rigid stance may not be as necessary as it once was.

A survey conducted by IBM Global Services of IT Executives concluded that of 15 strategies considered, application integration was at the top of the list as most important. With new integration strategies and methods of producing improvements in software offerings, industry requirements and ever changing business processes are now available and recognized as the competitive advantage for many corporations. Concepts allowing enterprise software to be more customizable, such as Service Oriented Architecture (SOA), have delivered on the promise of agility without the high level of risk to the continuity of the base application.

Be mindful of change management as stated earlier – this is still important. The truly successful ERP solution will not only offer the base system of industry defined best practices but will also offer a solution where easily created add-ons, customization and changes to industry specific solutions are the primary benefit.

Know Your Target

Define success before embarking on ERP and all other projects. Here are some helpful pointers...

“We will know we are successful when…?” in terms that are tangible and quantifiable will go far to keep the right focus. Defining “done” with solid statements of scope and objectives before the project starts is a project manager’s best friend and is the responsibility of all.

"If you can't count it you can't control it!" This famous saying, first witnessed as a poster on a Material Manager's office door, says it all. Develop Key Performance Indicators (KPIs) to determine the progress of the implementation and, most importantly, to measure the actual success of the implementation.

"We should have better and more reliable information with this system." You may have heard this saying, but what does it really mean? Having better and more reliable information without a purpose or measurable goal can be an incomplete thought. What you really want is better and more reliable sources of information that can deliver better results. Does your information have an impact on improvement such as inventory reduction, improved quality, or lead times? If inventory reduction is, for example, a goal, then reducing it by a specific amount should be the measurement. Don't accept broad and general goals and objectives. Define these KPIs before you start and you may be surprised with how easy it is to justify such a large project.

In Closing – Gain Executive Commitment

What we have just talked about will not happen if there is no executive buy-in and sponsorship. This is not a spectator sport -- everyone is responsible. The Chief Executive has the top role and primary responsibility. Only the CEO can "give permission" to the rest of the organization to make ERP "happen."

- The Chief Executive's role and agenda is defined by the (already discussed) list of key factors needed to avoid failure. Each one can and should be "owned" by the CEO or a member of the executive team. Establish a list of roles and responsibilities for all participants from the executive suite to the floor sweeper.

- The Chief Executive is also the "Chief Education Officer." Arrange for an off-site education class on industry best practices targeted for the CEO and the executive team.

- Develop the right environment and structure. Executives sometimes work best when clear direction and an easy approach is defined. Work with each executive to determine what best works for them relative to how the project will be measured and communicated.

- Connect those executive responsible for approving funds with those who are creating the agenda. This way, you will guarantee the attention of the rest of the corporation.

If your CEO or President is not the type that will instinctively drive the project, you will have to establish a structure where his/her participation and leadership are required. Your management consultant or trusted advisor can or should be selected specifically to address the creation of this environment.

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