



Six Steps to a Successful ERP Implementation

Enterprise Resource Planning

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EXECUTIVE SUMMARY

The process of implementing a new enterprise resource planning (ERP) solution is challenging, sending your organization down a long road of beneficial, although sometimes demanding, change. The good news is, if it is done right, you'll gain lasting benefits for your company's operations. The key question then is how do you do it the right way? Because of the sometimes overwhelming volumes

of minute detail to be addressed during this process, it is all too easy to lose sight of the larger goals of a successful systems implementation and a positive organizational change. The key to doing it "right" is staying focused on the big picture and staying focused involves following six considerations.

STEPPING FORWARD

Your company must take some key steps to ensure your organization's system implementation produces positive changes and long-term benefits.

1. Understand the true significance of the implementation experience.

Since you have decided to implement an enterprise-wide solution, this is probably the last time you will replace your mission-critical business systems. Any changes in the future will most likely be upgrades or enhancements to the solution you choose.

Investing in an ERP or other enterprise solution is a major commitment. One way to look at it is to think of it as the partial delegation of your IT strategy to the software vendor you ultimately select to be your solutions provider. You will be both restricted and enabled by the future direction that is defined for the product you select, which means you must choose the correct solution for your entire organization. Factors such as cost and functionality are important and easy to quantify. Do not neglect to consider other vital factors, such as the direction and viability of the software provider you ultimately select.

Implementing an ERP system is a business project, not an IT project. As such, it requires strong business sponsorship and ownership. Many ERP projects struggle because they are perceived and handled as IT initiatives and fail to gain the necessary business support that is required to guarantee success. Enterprise-wide application implementation projects are typically vast and complex. It is important to not underestimate the scale of the project and the impact that it will have across your entire organization. The project is likely to affect every aspect of your business and every person in the organization. Remember that in order to realize the greatest benefit from the system, everything within your organization needs to be open to scrutiny. Many projects suffer because of conflicting initiatives within the organization. Prioritize and coordinate initiatives to insure that the ERP project is not adversely impacted.

2. Fully commit the right resources to the project.

Many enterprise projects run into difficulty because the wrong people within an organization are assigned to the project. The project staff must have knowledge of the business as a whole, but must also be creative and capable of challenging the status quo when needed.

Project and team management members need to be respected members of the organization whose decisions can be trusted. They must be empowered to make key business decisions, and your steering committee must have enough faith in the team members to permit them to operate without tight supervision.

An ERP project is an excellent opportunity to reshape and streamline your business. In order to help ensure success, the best people within the organization need to be assigned to the project. If their involvement in this undertaking doesn't have some sort of capacity impact on your business, then you have in all likelihood chosen the wrong people to be part of the team.

The people you have selected should know upfront how important their role is and must be given a clear vision of their future importance to the organization. The selection of project staff should be conducted at the steering committee level, ensuring that the best and brightest people from within the organization are included. Resistance from management can be expected, but must be overcome in the interests of the project.

Involvement in this type of project typically expands the horizons and capabilities of each and every team member. Many develop a broad and deep understanding of a wide variety of business processes. Their value to the company and to other organizations will, therefore, be greatly enhanced due to their involvement with this project. Experience shows that appropriate, proactive strategies need to be considered in advance to motivate and retain these team members.

3. Be prepared to manage the changes fully and effectively.

Many organizations underestimate the impact their ERP project will have on their people, roles, skill requirements, and company structural organization. Successful change management is one of the most important factors in determining the success of the project. Experience tells us it is usually not carried out effectively. Perhaps it is because many organizations are uncomfortable with the nature of change management and therefore do not give it the support that is required.

In simple terms, effective change management ensures that your organization and personnel are ready, willing, and able to embrace the new business processes and systems that are called for in an ERP implementation. More often than not, staff members will resist change unless you give them a good reason not to resist it. In order to avoid this type of situation, various strategies may need to be designed to positively influence potential resistors. It is important to note that blanket approaches to communication are quick fixes to the problem and are often ineffective. The tactics used need to be varied according to people's level of influence, as well as their ability to impact internal situations.

A network of project representatives spread throughout the organization supports the most successful communication strategies. These people serve as two-way conduits of information, helping to distribute project-related information and material, while also providing valuable honest feedback to the project team regarding potential trouble spots. The members of your change management initiative need to be respected and trusted at all levels of your organization and should be connected with a healthy inter-company personal network. They, along with the project director, will play a major role in your company's change management effort.

Outside of traditional user training, the change management project team should strive to provide training in a wider sense. The desired business objectives related to your new solution need to be outlined, and a thorough explanation of new business processes, people's new roles, and all aspects of the new system should be addressed. Formal training sessions provide a great forum in which to communicate these objectives and to influence personnel in regards to increased acceptance of the delivered solution.

4. Plan to manage and measure the benefits.

Most enterprise solution projects are founded on business cases that are researched and reviewed. Many times these documents are all but forgotten once the capital expenditure is approved. Project managers report in great detail on the cost and time parameters of the project, but very few report on the benefits attained.

The business case should be treated as a living document that is used as an effective project management tool.

Scope management needs to incorporate the effect on benefits, as well as the effect on cost and time. Keep in mind that changes within the organization or environmental factors may positively or negatively affect the attainment of promised benefits. At major milestones of the project, the business case should be evaluated and, if needed, the expected costs and benefits should be restated. For each major category of benefit you expect to attain, both the ownership and key factors that may impact the delivery of that benefit need to be clearly defined. In other words, the business case needs to form the foundation for a detailed benefit delivery plan with ownership and time lines clearly defined. Tracking and managing in this way until the end of the project ensures that the benefits are, in fact, delivered.

5. Fully embrace integration.

Many organizations resist the level of integration that is delivered and encouraged by their enterprise systems. They attempt to retain the existing organizational structure, including the role of management and the roles and responsibilities of functional departments. Integration, however, is going to challenge the boundaries between traditional, functional departments. As just one example, placing information directly at the fingertips of operational staff will greatly reduce the reliance on administrative support staff. Roles throughout the company may need to be redefined, giving key individuals responsibility for end-to-end business processes. This may greatly change the roles of functional managers and even entire departments.

Integration is also going to challenge the existing power bases within the company and change the very nature of some management roles. Significant changes to the entire organizational structure may be called for in order to extract the maximum benefit from your new system.

6. Plan for the end of the project before you start.

Many organizations fail to consider the long-term implications of introducing an ERP system until the end of the project. If these implications are recognized and planned for in advance, the effectiveness of your project team will be enhanced and the overall benefits obtained from the project will be maximized.

Organizations need to consider how they will support their new system in the long term, which aspects, if any, will be outsourced, and what capabilities will be required in-house to maximize the return on the original investment.

Your internal support organizations can become a key strategic facilitator for the company. Building internal centers of expertise can help to optimize your consulting investment in the future. If this sort of support organization is part of the project vision at the beginning, then the project management can start to position individuals for these key roles as the project progresses.

Other project staff may return to their old, perhaps redefined roles or may be suitable for other challenges within the company. It will help the project greatly if there is a clear plan for your project team members' transition back into the organization. If people's futures are not clearly defined, it will then become an issue at a very crucial stage of your project. Above all, you and your organization need to realize that the

original project plan you start with is simply a springboard into a much larger process. The longer the project runs, the more your organization needs to embrace a continuous improvement mindset. Transitioning from a "project mode" into this structured improvement phase is a hurdle for a number of companies and requires a time and planning to address properly.

NEXT STEPS

When you consider the internal and external forces involved in an enterprise solutions implementation, the path followed and ultimate results is never the same for any two companies. Hopefully, the aforementioned steps will help you improve your chances for success when the time comes for your company to implement its new enterprise solution.

If your company is actively looking for a new solution or is planning on undertaking a selection process, your business will be best served by a system that is chosen based upon your particular needs.



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