

ERP: Roadmap to success

There are many important steps to successfully understanding and implementing an ERP project

Many ERP projects fail, because an ERP implementation track or project is complex and consists of many crucial steps. If some of these steps are ignored/skipped or poorly executed, this can result in a failure.

ERP: Roadmap to success

The problem is most companies do not see an ERP project as a company change project, but instead see it as a technology project that can be handed off to others, without serious involvement.

This is...

WRONG

Roadmap to success 1 - Acquisition Rationale

- ERP changes the way we look at and run the business
- ERP can provide a competitive advantage

Then what's critical?

- Senior management understanding the ERP's capabilities
 - At the beginning of the selection
 - Support this system
 - Communicate these 2 points towards the rest of the organization

Roadmap to success 1 - Acquisition Rationale

It's like an aircraft: buying one does not instantly learn you how to fly with it!

Important topics

- Do we need an ERP system?
- What detailed outcomes do we and can we expect?
- Who needs to be involved and how much effort will this take?
- How will we get everyone on board?
 - Executive support
 - Change management

Roadmap to success 2 – In-house expertise

An ERP system is complex and consists of different modules. Adapting to the system is important and therefore you need to understand what you're getting. Expertise cannot be completely left in the hands of others.

Embarking on an ERP project with limited knowledge simply puts the organisation at the mercy of ERP vendors and their implementation partners, whose primary interest is in making a maximum revenue.

Roadmap to success 2 – In-house expertise

Important topics

- Education on ERP for decision takers
- Keeping the decision power in house
- Being able to be critical towards
 - Vendors
 - Implementation partners

Roadmap to success 3 – ERP Risk Assessment

ERP can be a powerfull tool for a company. But where there is a big upside, there can also be a big downside if things go wrong!

Potential risks

- Financial Risk
 - High costs involved
 - Negative ROI
- Technical Risk
 - Depending on a certain technology
 - Integration?
- Project Risk
 - Resources available
 - Other project risks (planning, timing, budget...)

Roadmap to success 3 – ERP Risk Assessment

Potential risks

- Political Risk
 - Visibility
 - Resistance by employees
 - People/functions that become obsolete
- Cultural Risk
 - Language
 - Privacy
- Business disruption Risk
 - Human resources are used for the project
 - Problems with cut-over
- Contingency Risk

Roadmap to success 3 – ERP Risk Assessment

Potential risks

- Contingency Risk
 - You cannot know everything upfront
 - Possible unexpected problems
- Software failure Risk
 - System does not work
 - System does not do what was expected
- Non-use or misuse Risk
 - People don't use the system or use it incorrectly
- External Risk
 - Integration with vendors/customers
 - Legal obligations not met

Roadmap to success 3 – ERP Risk Assessment

Potential risks

- Competitive Risk
 - They have adopted the same way of working as their competitors
 - Bad implementation can cause:
 - Loss of orders
 - Slower delivery
 - ...
- Reputation Risk
 - Bad service towards customers
 - Bad ROI = impact on figures
 - ...

Senior management should insist and focus on a true and profound risk analysis!

Roadmap to success 4 – ERP Cost justification and budget

It is vital to specify in detail what the benefits of the ERP system will be and how they will be achieved!

Important topics

- Budget based on a detailed assessment of the work to be completed.
- Cost estimation that covers the work, hardware and software costs.
- Expected benefits that is realistic in time and returns to expect.

Roadmap to success 4 – ERP Cost justification and budget

Typical cost areas to be considered (some examples):

- In-house hosting vs SaaS (Software as a service)
- Software license fees
- Hardware costs
- Education & training costs
- Software maintenance costs
- Cost of integration with legacy systems
- Data clean-up costs
- Business disruption costs

Roadmap to success 4 – ERP Cost justification and budget

Typical benefit areas (some examples):

- Productivity increase (how to measure this?)
- Headcount reduction
- Process improvements (lean)
- Quality improvements
- Customer service improvements (better retention)
- Increased sales
- ...

Roadmap to success 5 – RFP (Request for proposal)

A request for proposal is a document which specifies what the system should be able to do/support and which has as objective to receive a proposal from 1 or more vendors to implement this.

Important topics

- Visual models, specifying:
 - Needed functionality
 - Hardware platforms to integrate with
 - Needed number of users
 - Needed number of transaction
 - Examples of needed output (documents, reporting...)
 - Examples of current processes

Roadmap to success 5 – RFP

The RFP will often lead to a POC (Proof of concept), which is a light version of the software with limited functionality, to proof the system can do what is requested.

- The customer can immediately see the look and feel, with realistic data
- If not all requirements are supported, this comes up during the selection phase
- The prices and functionality offered will be more accurate

Roadmap to success 5 – RFP

However: it is possible that the vendor will recuperate the costs made for the POC afterwards during implementation.

- Even when a POC is not free, it can be worth the investment.
- When the requirements are listed, ask if this is supported:
 - Yes
 - No
 - Custom modification
- You need to know how you work, before you can specify where you want to go!

Roadmap to success 6 – Software selection criteria

Listing the capabilities and the costs are not enough. You should be able to assign priorities and weighting. Not all requirements might be equally important.

Important topics

- Don't make price your only consideration point
- Make sure you identify the Must-Do's
- Ask for references (former clients & projects)
- Check your vendor's financial situation (this information is made public!)
- Check for general availability of experts/consultants

Roadmap to success 7 – The ERP contract

When complaints are made about the performance of the implementation team or software vendor, it is often about the functionality, the activities the consultants carry out, deliverables and the project timeline.

- Contracts should always specify who is responsible for what!
- The customer company should provide business experts and resources. Otherwise:
 - The implementation partner will move at a slower pace
 - And will become frustrated
 - While leaving crucial business logic out of the system

Roadmap to success 7 – The ERP contract

The contract should be based on a project charter:

- Who will do what?
- What are the milestones and deadlines?
- What are the roles?
- What are the escalation procedures?
- What is the minimum effort/availability of both the external and internal resources?
- Functional requirements, but also non-functional!

Both the customer and the vendor/implementation partner can be responsible for failure!

Roadmap to success 8 – Project Plan

The project plan should more or less include these steps.

Important topics

- The plan should not only contain the implementation of software. Don't focus too much or only on the technology!
- It should also contain the typical steps and methods as used for any project.
- It should not be covered in complexity and ERP-jargon, but should be clear for everyone involved.

Roadmap to success 8 – Project Plan

Important topics

- Milestones are crucial and should be met.
 - Time/when
 - What
- Payment should be linked to these milestones
- Monitoring of the plan is important to estimate of next deadline will be met:
 - Initially estimated effort should not exceed the
‘actual effort’ + ‘estimated effort to complete’
- The plan should be added to the project charter and all parties should agree on this

Roadmap to success 9 – Go-Live dates

The go-live is a moment when a part of the software is ‘put in production’.

Important topics

- Typical phases: analysis – development – testing – User acceptance – Go-Live/Release – Post Go-Live
- Different types:
 - Technical go-live
 - Business go-live
- Don't set this date without assuring it can be met!

Roadmap to success 9 – Go-Live dates

Important topics

- Everything should be done before the go-live:
 - Implementation
 - Testing
 - Bug Fixing
 - Data clean-up
 - Training
 - ...
- Remember: changing or correcting something after Go-Live is way more expensive than doing it right the first time!

Roadmap to success 10 – ERP education

There is a big difference between end-user training and ERP-education!

Important topics

- The organization needs to know what an ERP system is
- And how it works (not only in a functional way).
- It's more than software, it's changing the way you work!
- And a company should understand 'why' ERP works the way it does.
- Only then, the organisation will be able to fully adopt the ERP system

Roadmap to success 11 – ERP training

End-users often complain about the training they get, or do not feel at all comfortable to work with the system. They often are only shown the basics, missing out on powerful functionality.

Important topics

- Training is often held too early
 - People forget
 - The system is not realistic yet
- Additional training = additional revenue for the vendor!

Roadmap to success 11 – ERP training

Important topics

- Super users → Train the trainer (this does not always work)
 - They can't be an expert overnight
 - They will be bothered with all issues
- A training matrix should be created
 - Who needs which training
 - When
 - Given by whom?

Roadmap to success 12– Implementation responsibility

Remember: The devil's triangle

Buyer: The customer or the party who is requesting the project and new ERP system

Implementation partner (system integrator): The company/people who will actually implement the new software

Software Vendor: The party/company that sells the software and the licenses.

Roadmap to success 13– Project management

The project management starts at the start of the project. This is not the start of the implementation, but at the moment the decision is taken to start investigating the ERP solutions.

Important topics

- It is a business transformation project
- The project manager must be at senior level
 - This does not mean he has to be old
 - He/she should understand the business
 - He/she should understand ERP projects
 - Impact/effort/risks/costs...
 - He/she should have the trust & support of the c-level

Roadmap to success 13– Project management

Important topics

- The project manager must be at senior level
 - He/she should be a good communicator
 - He/she should be able to bring the worlds of Business and IT together
 - He/she should be seen as a part of the organisation
 - He/she should have the mandate to make decisions
 - He/she should keep track of the project
 - He/she is best someone at the customer's side, so the benefit of the customer is always put first
 - ...

Roadmap to success 14 – Executive involvement

Attention points

- Educating executives is important. They need to be aware of:
 - The impact
 - The work involved
 - The project plan
 - Basically all attention points mentioned in this approach!
- When executives are involved:
 - The project will be visible on the company's agenda
 - The project team will not be afraid to raise issues (after all, they have executive support)
 - The project will more likely be able to continue at the expected pace

Roadmap to success 15 – Software house expertise

It is important that an implementation partner delivers resources (people) who understand the needs of the customer and have sufficient expertise.

Attention points

- Seniors are often used in the sales sessions, but are not staffed on the project. If a consultant is too junior, the customer should be able to ask for a replacement.
- **Underquoting:** often the total price is set deliberately too low. Causing the customer to pay for additional change requests. This can be avoided by:
 - Using a test-model during the pre-sales
 - Using clear milestones & tying payments to this

Roadmap to success 15 – Software house expertise

Important topics

- ‘Proven path’ implementation: often the vendor will make the project track look like a sure win. A complete project plan is always needed, even if a ‘lean method’ is proposed.
- In-house expertise is crucial to challenge the software house
- References: although they can be very usefull, it is always wise to be critical towards references the vendor will propose.
- Scope creep: most vendors will try to sell additional functionality as the project continues. A clear scope statement is necessary.

Roadmap to success 15 – Software house expertise

Important topics

- Knowledge transfer: this should not just be a document. A knowledge transfer includes sessions with internal employees and clear deliverables.
- Overall, a customer needs to be prepared and make clear agreements with the vendor; the more specific the project charter and planning, the better the outcome will fit the expectations of the customer.

Roadmap to success 16 – Process change

Business processes are an important factor for success. The As-Is situation should be examined, analysed, improved and checked if they will fit the ERP model.

Important topics

- Do not just automate, but innovate and then implement.
- Process re-engineering
 - Can take place without the ERP system
 - An ERP implementation is an ideal moment to optimize the way a company works
- Changes can also cause resistance. Change management is crucial!

Roadmap to success 16 – Process change

Important topics

- Executive support: lead by example
- Middle management support: they will make a big difference in terms of adaption and process re-engineering
- The change management process should not be postponed to the last phase of the project
 - People need to be guided throughout the project
 - Energy/enthusiasm will diminish towards the end of the project
- The ERP project is an excellent opportunity to optimize your operations and processes

Roadmap to success 17 – Data cleanup

Establishing accurate and consistent data is essential for supporting the supply chain and realizing significant returns for the ERP software investment and achieving improved business processing outcomes.

Important topics

- How will data from legacy systems be extracted?
- You should not just migrate. This is an excellent opportunity to review and correct data of poor quality.
- EDM model
- High effort, huge benefits
- Should not be postponed too long

Roadmap to success 18 – Data conversion

ERP systems process data. Garbage in = garbage out.

Important topics

- Tools are available
- Data remodeling should be analyzed, to make sure the meaning of the data is not misinterpreted or incorrectly converted
- Data conversions should be tested
- Manual intervention may be necessary
- Data conversion is a critical step in the ERP implementation process

Roadmap to success 19 – Issues identification

Important topics

- Issues should be tracked and resolved as soon as possible
- Many issues can be non-IT related
- ERP issues will often be cross-departemental. Therefore, the executive support is needed to resolve them.
- Issue log
- Status meetings
- Ownership

Roadmap to success 20 – guarding the Scope

Scope creep is an important cause of failure! Therefore, the scope needs to be defined in detail and the package selection should take the requested scope into account.

Important topics

- The scope should be in the project charter
- Customer employees will try to replicate existing situations and processes. This is often not the right way to go
- Scope creep is very lucrative for the vendor in case of a time&material billing plan (**'The gravy train'**)
- Scope creep is a cause for failure in case of a fixed price project

Roadmap to success 21 – Software changes

Changing the ERP system while development is still going on, will be costly and will disrupt the rest of the project.

Important topics

- Changes should be requested as change requests
 - Official
 - Business Case
 - Approved by a steering committee
 - Priorities (before or after go-live)
- They will generate additional costs
- Changes are a threat for success

Roadmap to success 22– Go-live readiness reviews

A go-live date can be postponed. It is unpleasant to do so, but if the system or the organization is not ready, going live anyway will most likely result in a failure.

Important topics

- Testing is of the utmost importance
 - Unit testing
 - Integration
 - End-to-end testing
 - Acceptance testing
- Signing off on testing is important (validation)
- ‘War room’

Roadmap to success 22– Go-live readiness reviews

Important topics

- A successful test system will not guarantee a successful go-live
- A test system is often set up in a very controlled environment, a production system is not
- Final testing should be done with real data
- All crucial functionality should be covered
- Significant effort involved!!!

Roadmap to success 23 – Going live Cutover

When the system is going live, this cannot be done in 1 second. Therefore, a cutover plan is needed, which will clearly list how long which legacy systems will run in parallel with the new system.

Important topics

- 3 approaches exist:
 - Big Bang
 - Parallel running
 - Phased turn-on
- Risk management
- Making sure everything runs correct

Roadmap to success 24 – Post-ERP Cutover

When the system is live, this is not the end of the project. Close monitoring is needed to make sure possible issues are picked up and solved as soon as possible.

Important topics

- Post Go-Live support is needed
- Users will typically not use the system to it's fullest during the first days after the go-live
- Make sure resources are available if needed (both internal and external)
- First week(s): daily review, after that: weekly review for a while

Roadmap to success – final conclusion

ERP is a technology that can deliver great benefits, is properly implemented. It is not just a software you install, but a complete makeover of the way you work.

- There is no such thing as an easy ERP implementation
- Vendors and customers should make clear what they expect of each other as a crucial factor for success
- Executive support
- Data management
- Change management
- Cutover plan