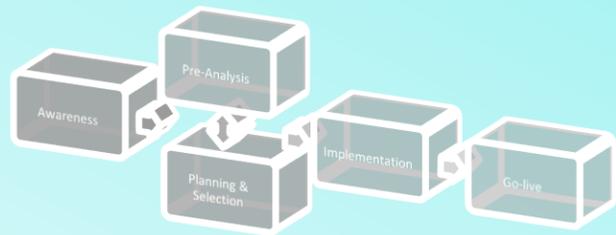


ERP implementations

- In search of the Unicorn



Implementing ERP

Most readers will agree that finding a Unicorn is highly unlikely as it is a legendary creature seen by no one...as far as I know. What about the perfect ERP implementation? Using the sentence “perfect implementation” it would be just as rare as a Unicorn (See figure 1 below). Many good and “ok” implementations have been made but even more have been poor or directly failed.

In an ERP implementation, everything is at stake. The ERP implementation touches both the culture (*habits and the way things are done*) and the core business. No matter if you are in a service industry or a construction/ manufacturing industry. If it fails - it can cost millions.

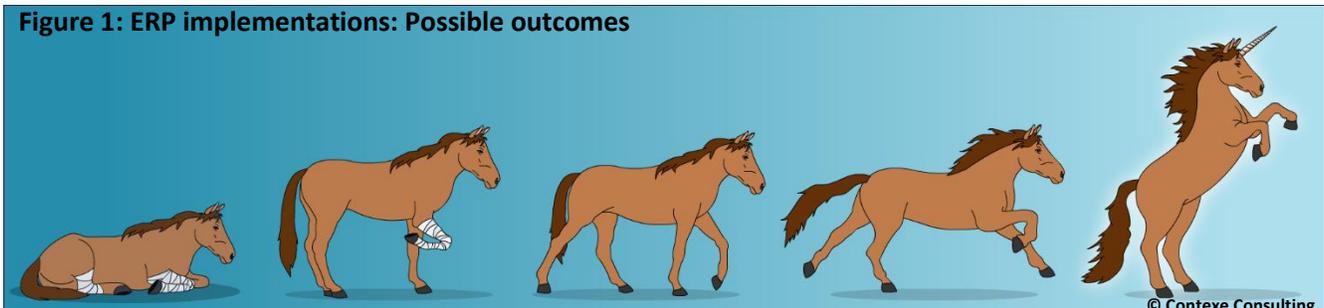
It will be valuable to recognize the complexity of the ERP implementation up-front and on steering committee level decide the success criteria of the project. Time, Quality, Budget. Will we go for the “Unicorn”? Or do we aim for going live with a “Race horse” but will accept a good “Work horse” for a beginning? Awareness of the faced issues is important.

A very commonly used sentence in ERP implementations is “Keep It Simple” – the sentence is still “spot on”. One important way to keep it simple is to lower project ambitions a bit for go-live. Keep it realistic. You can work on perfection afterwards.

Contents

Implementing ERP	1
Awareness	2
Planning & Selection	3
Pre-analysis	4
Implementation	5
Before/ during and after go-live	7
10 critical points of ERP success	9

Figure 1: ERP implementations: Possible outcomes





Awareness

Being aware of the complexity of an ERP implementation is the first important task for a management, when realizing a new ERP system is needed. Awareness should lead to better planning and ensuring the task is not being underestimated. In order to proceed - the management must understand the need. This might demand a process analysis in this initial phase.

*The strategy for the ERP implementation must be aligned with the strategy of the company!
Alignment between departments is crucial for the success of the implementation!*

Questions to increase the awareness:

Why do we need a new ERP system?

- Licenses cannot be renewed/ system cannot be supported
- We have grown out of the system
- The current system does not support our business well
- We have all kind of subprocesses running by our employees

Do we have a clear Business strategy that will be supported by a new ERP system?

- Need for a larger system to incorporate e.g. CRM, document management
- Need for collecting more data to support KPI's for boards and owners?
- Do we know our critical processes in detail, and can we explain them?

What kind of ERP system do we need?

- **Small** - Probably replaces the old one but with updated features and support
- **Medium** - As above or maybe a step up as the company has been growing or is expected to grow
- **Large** - Replaces a large system or a medium system
Alternatively, there are realistic plans to expand business.

Will we be capable of handling this system - do we have competences for implementation and support?

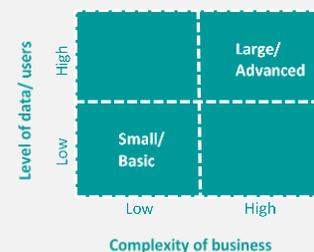
- By selecting a system at the same size as currently - the resources might be inhouse
- By up-sizing you need to rethink the support organization.

Are we aware of the change management effect?

- The final plan cannot be made before the system is selected.
- It might be relevant to **make some decisions and do** changes before the external consultants are in place
 - An example, if your Item- and BOM structure is lacking standardization and a "one way" direction or you need category management - then optimization groups should be made within these certain areas to come up with solutions/ visions before expensive consultants are awaiting your answers.

The size of the ERP system

There are many different opinions of which ERP system to choose, however one must be aware that the larger the system, the more features will not be used and the higher complexity. The higher the complexity the higher likelihood of failure and a costly ERP implementation and day to day support.





Planning & selection

The planning phase is essential as both the ERP system, implementing consultants and the internal project organizations is selected. These are crucial tasks.

It is crucial to get the right internal and external people to run the project! Support from top management and key employees is essential to the success of the project!

Internal vs. external roles

External consultants from the implementing company will focus on setting up what they assess/ hear that is the right process for your company. If the internal organization is in doubt, what is the right "way to do things", then the external consultants will either stop or setup what they think is best.

Internal clearance is crucial.

Who will be responsible for the ERP system?

- Normally the CFO with an appointed internal project manager
 - Create an internal steering committee with management representatives
 - Create a group of superusers
- Key employees are preferred - but as they are key users, they are also key resources in day to day business, hence, at least they should be involved in the reference group
 - Involvement and commitment are essential

Selection of ERP system and ERP implementation house should be driven by the internal project manager but decided by internal steering committee with a clearance of the superuser/ reference group

- Before inviting ERP providers - create some business cases/ critical requirements so the providers can show they know (*or do not know*) how to implement these.
- Let more ERP providers in to present their recommendations of ERP system
- Industry solutions/ add-ons can be great, but you will be very dependent upon the provider
- Test the ERP providers to find out if they understand the processes
 - Ask for references (*more than one*) in similar industries
 - Before selection be clear of: The selected team (the "golden team" can be selling the solution, while the junior team will implement. A junior consultant might take 8 hours of finding the right "tick mark" while the (*probably more expensive per hour*) senior consultant might take 1 minute.

Create a project plan – The Internal project manager is responsible but coordinates with the external project manager

- *Please be aware that external project managers often do not have detailed knowledge of the ERP system and business processes so it demands a high level of involvement from the internal project manager who should both understand internal processes, find the key issues in the implementation and ensure that the internal organization is informed and backs up the project. The plan must include:*
 - Project team
 - Time frame - Including all steps:
 - Pre-analysis (if not already performed)
 - Setup
 - Migration & data wash
 - Go-live preparation
 - Go-live and support
 - Overall solution
 - Change management
 - Additional systems and integrations



Pre-analysis

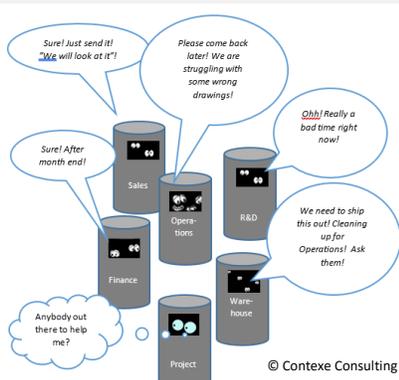
Already in the awareness phase the management should have understood the basic needs and made the overall analysis - otherwise the correct ERP system cannot be chosen.

Assuming these have been made, then further process analysis should be driven by internal project management to secure alignment and ensuring all basic procedures and agreements are made before the specialized ERP consultants are in place.

Ensure alignment between departments before external consultants are in place – describe the critical processes (highways) in details from A-Z.

Breaking down Silos

An ERP implementation is more than an IT project. The larger the selected ERP platform the more need for breaking down silos. Instead of looking at “how we do things in my department”, we must look at “how we do things in our company”. We need to change focus from Silos to cross functional processes.



Tasks to be done in the pre-analysis phase:

Analyze and describe main processes

- This must be done across functions

Analyze and describe current master data and further needs

Identify and describe current system gaps and needs

- This is essential for getting a good start of the implementation. Gaps and needs should be described before selection of ERP system.

Analyze and describe main integrations to other systems

- For many service providers this is an essential point as they have a variety of integrations and hence many other stakeholders in the project. These 3rd party stakeholders should also be involved/ notified up front.

Note key persons and influencers

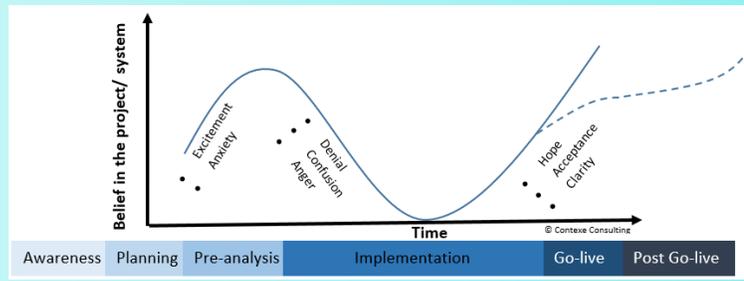
- In the process of describing the processes, key persons and influencers will be found and involved.



The management needs to be aware that the difficult part is about to begin. Now processes should be decided in the new system – departments are needed outside their Silos. Decisions are being made causing human reactions. The process demands strong management visibility.

Implementation

The core implementation process driven by internal management and consultants. When initiating this phase – all business-critical decisions should have been made and goals for the ERP implementation should have been set.



Keep the pace! Let information flow! Take care of issues as they rise!
Close gaps!

Many issues for the management to keep track of in this phase. It is important to keep all participants close. Project participants will be on different levels, some needs to hear "it is alright" some needs to hear "Come on". Most important, people need to be heard and see there is a plan and milestones.

As far as possible keep external consultant onsite to be involved

Define where to share data - preferable at the customer site (Sharepoint is often used)

- Assure that all documentation is inside the organization
- Assure documentation is basically done before go-live otherwise it might not be.

Weekly meetings

- Project group and reference group should have a meeting each week
- The project should be started with an internal and external kickoff - to say "Now we are on a travel together"
- Create a good track keeping system over tasks and progress per superuser.

Separate the project team from daily business

- When the project starts for real (*by education of superusers*) a separate room should be 100% booked for ERP and the resources should be allocated more than 60% in the high-pressure periods. It is important that all participants are sitting together when the tests are starting to flow. The superusers must know more than within own area of expertise.

Change management:

- An ERP project creates uncertainty in the organization. Everybody knows that new system will create new processes and procedures. Hence,
 - Keep the project-, reference- and management team close and informed of all issues and progress - weekly meetings.
 - Create a newsletter to be send out at least every month informing the organization of progress and any expected changes (individuals should of course be informed first if concerning their areas of work).

Closing gaps:

- Even if a thorough analysis has been made before the start of the implementation, there will most likely be some solution "gaps". These should be found and addressed asap in the project - so they can be closed.
- Remember to "Keep it simple" - focus on "Need to have" and avoid large deviations from standard.



Data wash/ data management

○ Be aware of both the complexity and time consumption in this process. It is preferred that data has been discussed before external consultants are involved. Especially items and bill of materials are complex to migrate. Up-front discussions, upon themes as level of tracking (serial/ batch) are important to an ERP implementation and the data migration.

There are 2 ways to handle master data:

- Have a Master Data management team (*larger enterprises*)
- Let the superuser team handle the master data within their area. The internal project manager coordinates.

Unit tests:

○ Each process within the superuser areas must be tested and approved. Focus is on functionality and not the flow.

Roles and security

- If a clear strategy has been made the roles are also clear - in actual projects - it is normally not as straight forward and if time is a scarce resource at the end of the project - roles must preferable be wide at go-live and right after go-live be limited as the organization fall into the right processes.

Output management

- Many larger ERP systems have failed to create an easy output management system - which means the external (and internal) documents coming out of the system, must be made in a 3rd party software. Documents as:
 - Quotations
 - Sales orders
 - Packing slips
 - Order confirmations
 - Purchase orders
 - Frame agreements
 - Invoices
 - Labels
- A strategy must be made concerning either using the standard functions, well knowing that a developer is needed each time a dot must be moved, or an external software vendor should be chosen. Many chooses an external vendor - no matter what - it is important that a clear definition of the wished document is made. It is a good idea to replicate it in an excel sheet or similar.

Reporting

- The goal of an ERP system is to share data and gain data insights. Standard reports and basic reports are delivered by ERP systems as well as many financial reports. However, when it comes to special analysis the standard ERP system are not flexible enough to perform these, hence most companies choose to select and implement a BI tool (*Business Intelligence*).



Before/ during and after Go-live

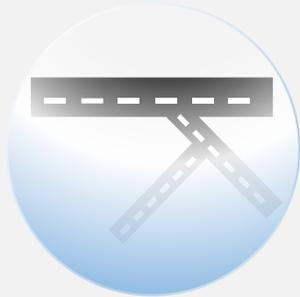
Deadline is close – Focus on “high ways” and critical processes. Assure main flows are in place before teaching end-users. Have a “go-live plan” with awareness that challenges might appear.

Focus! Focus! Focus!

“Need to have” – NOT “nice to have”.

Have a “Parking lot” for “nice to have”.

Focus on the “Highways” – The Business-Critical processes.



Pre go-live

Flow tests

- Flow tests are performed, when the basic unit tests are accepted by individual superusers. Flow testing is the hard part. Not only does it require a high level of understanding from the unit testers (*super users*) but it also demands a person who understand the broad flow - a solution architect who has a broad knowledge base both regarding the system and the processes.
- It is very important to list the most important flows - start with the highways and work down to sideroads and paths if time and resources are there.
- As earlier mentioned, – “*keep it simple*” and “*be focused*”.

Education of end-users

- Arrange modules of education. Finance employees are specialized and might have “*one to one*” education while inventory employees will have common education etc. It depends upon the type and size of company; however, it is very important that superusers are teaching end-users. Knowledge must be inside the organization.
- As it is human nature to postpone future challenges it is an idea to arrange brush-up courses in the first weeks of go-live.

Migration of masterdata

- All master data should be prepared well in time and a process should be set up to secure that all new master data created within the last weeks before go-live is also migrated to the new system.
- Inventory values are crucial to migrate correctly, these figures depend upon items and BOM’s, hence have a thorough step by step process to migrate these data and reconcile afterwards.



Go-live

- Do inform the organization of the go-live plan. Have plenty of info activities the days up to go-live, so the organization can prepare themselves of what will be hitting them. Also ask the organization not to underestimate the tasks.
- Have a go-live meeting for the organization to inform of activities and what to expect.
- Be aware that the challenges often are not seen the first days - sometimes not the first weeks as it is human nature to postpone what is difficult.
- Force the organization to gradually use the system
- It is understandable, that the implementing company want you to sign a take over document at go-live. However, it is not recommended to sign this paper before some days have elapsed and you see the real challenges appear. If you do sign, you have legally accepted the delivery. The best and most trustworthy consulting companies will not require a signature before the project is running well.
- Remember to celebrate the start up.

Post Go-live

- If necessary, have more brush-up classes
- Keep process in the parked tasks otherwise some tasks will drag out for a long time.
- If you started with an "ok" implementation = "Work horse" – then you will now start the process of reaching the next level and aim for the "Unicorn". Make a new plan and make the second phase a separate project.

Are you ready for implementing ERP – By reading this article your awareness has increased – Please also go to our homepage and do the test: *"10 critical points of ERP success"* (Please see appendix 1).

Contexe Consulting is an independent consulting company helping organizations with all phases in the ERP implementation. We would be pleased to act as your independent Internal Project Manager. Please contact us for more information.

Appendix 1: 10 critical points of ERP success

Please go to our homepage and do the test: http://contexe.dk/?page_id=265

10 critical points of ERP success! - In search of the Unicorn!						
<i>1 = lowest - 10 is highest</i>						© Contexe Consulting
1. Awareness of the journey	5					
2. Pre-analysis made/ Main processes agreed	5					
3. Budget and time frame	5					
4. Right Internal resources	5					
5. Choosing/ Chosen a system matching size and needs	5			Work Horse		
6. Right selection of ext. consultants	5					
7. Proper management involvement	5					
8. High focus on Steering and Planning	5					
9. Strategy alignment	5					
10. Change management plan made	5					