SolutionSource
Personalized Business Systems

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Successfully Implementing ERP Software

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Introduction

Enterprise Resource Planning (ERP) software allows companies to centralize data, streamline processes and gain access to key company metrics and information. Unfortunately, failure rates in ERP implementations are disturbingly high (51% according to the 2001 Robbins-Gioia Survey). A failed implementation is both financially costly and expensive in terms of lost time and productivity. The risks involved make the decision to pursue the benefits of an ERP system a difficult one, but many lessons can be learned from all the unsuccessful implementations. By avoiding common pitfalls and following a few key success factors, the risks in an implementation can be reduced; and the benefits of ERP can be an attainable goal.

Implementation Pitfalls

1. **Priorities are not defined** – Many implementations simply suffer from a lack of direction and planning. Too often, ERP systems are implemented with the broad goal of better information and increased efficiency. An ERP system can be implemented in a variety of ways and, without specific goals and a definition of what constitutes a successful project, the

implementation may not align with company priorities. To ensure a successful project, define the expected end result and how success will be measured.

2. **Bad system selection –** There are many ERP options available and picking one that is a bad fit can result in higher implementation costs, longer training times or a failed project. The system features must align with the project priorities (which means project priorities must already be defined). Many ERP implementations fail because the system was selected for the wrong reasons. A key user may already be familiar with the system or the system may be common in a particular industry. Those factors may incorrectly lead decision makers to believe that the risk of failure is minimized. Unfortunately, neither factor is relevant if the system features do not match with the company's specific goals and business processes. Familiarity only minimizes some short-term training costs. Industry specific packages may have correct terminology or a few key features but lack key reports or handle high volume transaction processing in ways that are extremely inefficient in some situations. To minimize risks, define the system selection criteria based on your project priorities.
3. **System not matched to business processes –** Even if priorities are defined and the system is capable of supporting them, the implementation will likely fail if it doesn't focus on the business processes. Data moves through companies differently and decisions may be made at different points by different people. The system must be configured to deliver the right information to the right people at the right time. The process of how data moves and when decisions are made must be a focal point of the implementation. Not matching the system to these processes may cause them to fail entirely when the system goes live. Productivity may decline sharply or stop altogether causing costs to rise and new, inefficient processes to emerge in order to allow day-to-day work to continue.
4. **Insufficient resources committed –** Any implementation is a major undertaking. Underestimating the effort required can leave the system and the users unprepared for going live. It is essential for key users to

buy into the new system because they will be the ones who have to work through the issues and changes. A common mistake is to assume that users can just use overtime to work on the new system. When no steps are taken to free up and assign resources to the implementation, change management, communication and testing are likely to suffer, as is the level of user commitment. All of these factors contribute to a frustrating go-live experience and increase the risk of failure.

5. **No go-live plan –** The "go-live" switch from the old system to the new is the final significant event in the implementation. While much of the implementation work should be done, there are still problems and risks on the go-live date that need to be managed. There are some simple questions to ask that will help identify what should be in any go-live plan. *(See "Go-Live Question Checklist")* The lack of a plan that answers these questions significantly increases the risks of a failed implementation. Very few systems go-live with no complications; but with all these questions answered, major points of concern are handled and risks due to unexpected complications are minimized.

Go-Live Question Checklist

- **User Training:** What is the plan to ensure users are adequately trained? Where do they get help if they have questions about how to use the system on the go-live day? Is there complete system documentation for all business process? Are there system implementers or experts on hand to help?
- **Accounting Cut Over:** Are the general ledger beginning balances entered and verified in the system? How will open payables and receivables transactions be handled? Do all open transactions need to be entered in the system or will open bills and invoices be paid and received in the old system?
- **Backup Plan:** How will users continue to do their jobs if unexpected system problems arise? What contingency plans exist to make sure that go-live

issues do not cause catastrophic business stoppages?

- **Audit Plan:** What is the plan to verify the accuracy of all key information and financial data? What are the checkpoints to ensure accuracy of the general ledger, inventory, sales, etc.?

Ensuring Success

1. **Start with a plan –** Before signing off on any ERP implementation, agree on a project plan with the implementer that clearly defines the end result. Key features, business processes and measures of success should be identified. Budget, timeline and all other components of the implementation are influenced by this project plan. Cost and timeline overruns often occur simply because there were too many unknowns when the project began and those budgets were set. Spending some time and money up front to properly analyze business processes and project priorities will pay off on the back end through lower risk, accurate budgets and a more efficiently run implementation with a great chance of success.
2. **Understand the role of business processes –** The process of how information flows and how users interact with it is the definition of how a company does business. A company must understand its own processes, but so too should the system implementer understand them in order to align the system with business needs. Any implementation that focuses on system features first, rather than existing business processes, is at risk of breaking any one of those processes. If the implementation is process centric, then the project plan should identify how the new system will support those processes. Inherently, key features of the new system will get used efficiently and in line with the business priorities because they are mapped to the key processes rather than processes being arbitrarily squeezed into the available system features.
3. **Pick the implementer as well as the system –** Any software package is a tool that helps enable business. Like any tool, it can be effective in the right hands, doing its intended job. Of course, any job can be difficult without the ability to use the tools of

the trade effectively. It should be the role of the implementer to make sure a company is ready to use the selected system effectively. Most software packages have local service providers that sell, implement and support the system. Prior to beginning an implementation, discriminately select a service provider that will serve the role of implementer effectively. The service provider should help define the project plan, map the system to the company processes and priorities, and train and support the users.

4. **End with a plan** – Even though the project is nearly complete, there are still factors in implementation success or failure that must be managed as part of the go-live cutover. A good way to plan for a successful go-live is to look at what must happen before, during and after the actual date.

Go-Live – Before, During and After

- **Pre Go-Live –** There should be a testing plan to verify that the implementation is ready for its final step. The plan should cover each business process in which there are system interactions. And if possible, actual users, not just implementers should conduct the testing of the system interactions they will be using once the system is live.
- **Going Live –** Quite simply, the key to successfully going live is users that are prepared. Document a user training plan. Ideally, every user should go through a training checklist that includes hands-on time with the system and is supported by thorough documentation of their interactions with the system. *(TIP: A good use of resources is to have hands-on training double as system testing)*
- **Post Go-Live –** Once the system is up and running, the only threat to a successful implementation should be unanticipated problems. There may be exceptions to business processes that

were not previously identified or issues with missing or inaccurate data. While all problems cannot be avoided, they can be planned for. With the help of the implementer, make sure the go-live question checklist is addressed.

Summary

Implementing a new ERP system can be an attractive but scary task. The benefits available are well documented**:** better information available faster, lower cost of doing business, higher levels of efficiency. Unfortunately, many companies have failed to reap these rewards for a variety of reasons. There are no shortcuts and making the decision to implement a new system is just the beginning. However, any ERP implementation that begins with a plan, avoids the implementation pitfalls and ends with a plan has a great chance for success.