

Moving to a Sustainable ERP Model



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Signs you need a new ERP

Most of the 1st generation ERP's were implemented between 1995 and 2005. They have now become legacy systems, with all the issues inherently associated with that word. What does legacy really mean? It means your ERP is no longer meeting the needs of your organization.

Here are a few signs that you may have a legacy system on your hands:

New staff are appalled – If new hires are constantly making snarky comments about your ERP, and loudly stating “I can’t believe this ERP is so limited” ... then you might have a legacy system.

Your original vendor no longer exists – If your original ERP vendor has been merged/acquired/divested one or more times, or even worse, is defunct... then you might have a legacy system.

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Your ERP requires a whole staff for its proper care and feeding – If you now have a team of five who do nothing but fight fires all day and night and hand feed the ERP to make sure the batch reporting doesn't crash... then you might have a legacy system.

You haven't been able to upgrade for years – If you've customized your ERP to the point where it's no longer possible to upgrade the system... then you might have a legacy system.

Your ERP is more a hindrance than a help – If you're trying to paper over your ERP's shortcomings through integrations and external projects, if you're using BI to try to make up for the failure of your ERP to provide effective reporting... then you might have a legacy system.

No Support for New Technology – If it's completely impossible to incorporate new technologies like Mobile, Cloud, and Big Data... then you might have a legacy system.

Does any of this sound familiar? If so, it's time to get serious about finding a new ERP. An ERP that will meet your needs for today and tomorrow. An ERP that will keep you competitive and profitable. The good news? Since you last implemented an ERP the software has improved significantly, is more reliable, and is much easier to implement.

Things to Consider When Selecting a Vendor

In most cases you need to look at two separate vendors when selecting an ERP – the ERP Software company, and the Services company. In some cases they are one and the same, but most ERP software companies rely on a network of partners to provide implementation services and ongoing support to their ERP clients.

Find an Executive Sponsor - ERP implementations are long and complex. They require a lot of time, resources, and cooperation from everyone in the organization. For these reasons, it's important that you find an Executive Sponsor as early in the process as possible. Ideally, the Sponsor should be the CEO. Failing that, it should be a C-level executive. The Sponsor should relentlessly communicate to the company that the ERP project is a strategic undertaking and that everyone needs to fully commit to the project. Ultimately, an effective Executive Sponsor will greatly increase the chances of project success.

References – What type of work have they done in the past? Do they have experience in your vertical or even sub vertical? What do their current clients say about them? Do they have an understanding of your business processes? The term that is often used for knowledge of your business sector is “domain expertise.”

Fit – Does this solution have the functionality you need? Does it have the level of complexity you require? Examples: Is it multi-currency? Multi-company? Multi-language? Can it handle all of your business processes?

It's all about the partner – You need to appreciate that your relationship is not going to be with the ERP software company, it's going to be with the implementation partner. The ERP firm may be quite involved in the sales process, but once you sign on the dotted line, they will fade into the background. In contrast, you will be spending every day for the length of the implementation with the staff of your implementation partner. Take a good look at the partner, because you're going to be married to them. Make sure these are people you're going to be comfortable working with on an ongoing basis.

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To RFP, or not to RFP? – You need to be thorough in your assessment, but try not to don't get too bogged down. Try to streamline the process. What is important to you? Who needs to be involved? A formal RFP process does not necessarily increase the chances of project success. Follow an agile model. Get to your short list, and then dive deep. If you haven't done a search like this recently, you might want to consider hiring a consultant to help you make the selection.

Don't stop thinking about tomorrow (apologies to Fleetwood Mac) – Don't just think about your current needs, think about what you might want to do down the road. Even if you're not using certain technologies now, you want to make sure that the new ERP system is fully compatible with them. Make sure your technology roadmap is compatible with your ERP – mobile, cloud, business intelligence, etc.

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Be wary of going too vertical – There are a lot of vertical solutions out there. There are ERP solutions out there specifically for corrugated box manufacturers, ERP's for turkey farmers, ERP's for mutual fund managers. The problem with these vertical ERP solutions is that they're usually from smaller vendors, with a smaller customer base. Ongoing maintenance and support of the ERP is going to be funded from that base, so the smaller the number of clients, the more of the burden your company is going to have to bear. In general, we would recommend a mainstream ERP, and then “verticalize” the solution through configuration and customization.

Get everyone involved– Make sure that the team is multidisciplinary. Typically an ERP project is going to start in either Finance or IT. Make sure the selection committee has representation from all areas of the business – Operations, Finance, Marketing , Customer Service, etc.. The selection of the ERP is not typically a democratic process, but everyone should feel like they're part of the process.

Preparing for your Implementation

Communicate – This should be paramount from the start, but it's extremely important at this juncture. Let everyone – everyone from the CEO to the interns, know what is going to happen, when it is going to happen, and how it's going to happen. Let them know if they need to do anything, and how the project is going to affect them.

Processes – Before anyone starts installing applications, configuring modules, and writing code, it's imperative that you review your own processes. Automating inefficient processes is just going to speed up your inefficiency. You should schedule time before you start the implementation to review all your processes with your implementer. Take advantage of any best practices your implementer might be able to share, and talk to your staff to see if they have ideas on how to improve your processes. This is a crucial step and can greatly amplify the positive impact of your new ERP.

Staff appropriately - It's vital that you remember that you are not hiring an ERP partner to implement an ERP for you. You are hiring them to help you implement your ERP system. It's an important distinction. The implementation is going to involve the active participation of many members of your staff. You need to have strong project management and representation from the entire company. You need to understand that the internal implementation team is going to be dedicated to this project full-time during its run, and many others are going to be engaged on a part-time basis.

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Your staff understands your old system better than anyone else, they understand your processes better than anyone else, and they understand your business better than anyone else. They are crucial to a successful implementation. Make sure you build out an appropriate staffing plan before you begin any work.

The Implementation

So you've selected your vendor, created your plan, now it's time to implement. An ERP implementation can last anywhere from 6 months to 2 years. It's the crucible of the ERP lifecycle, and decisions that are made during this phase, either good or bad, can reverberate out over the next decade and beyond. Here are some key things to consider during the implementation process:

Compartmentalize – Break the project up into manageable pieces. One of the main reasons that many of the 1st generation ERP projects failed miserably is that they were monolithic, unwieldy beasts that generated no results or payback for years. They collapsed under their own weight. Don't make this mistake. An ERP is a perfect project for a phased approach. You can break it down by department, you can break it down by function, but break it down. Show results early and often, and everyone will be happy to continue to support and participate in your ERP project.

Be Prepared – By their nature, ERP projects are large and complex. They never go according to plan. Things always come up, plans always change, people always have different priorities. As much as possible, build this into your plan. Have some contingencies – if you can't work on some tasks for some reason, have some other tasks that can be substituted. Build some cushion into your project plan. Most importantly, don't be shocked when things go wrong. Things always go wrong. Take a deep breath, and move forward.

People hate Change - There is going to be resistance to the project from both individuals and departments. This is natural - many people in your company are going to be heavily invested in the status quo. Ensure that your plan incorporates a change management process to help overcome this corporate inertia.

Communicate – Communicate, communicate, communicate. Make sure everyone is aware of what is going on with the implementation of the new ERP. Send out weekly status reports, hold monthly meetings, schedule update meetings with the senior executives. Keep everyone in the loop – it will strengthen and build your base of support.

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Sustaining the ERP

When the ERP is fully live, throw a party. Have a glass of champagne, toast your colleagues, but remember that in reality the most important part of the project is just starting – the payoff. Now that the new ERP is in place, everyone is going to be expecting all the benefits they've been sold. They are expecting the ERP to make their lives easier. It's up to you to make that happen. The new ERP is going to be the lifeblood of your company for as long or longer than a decade. Here are some things you can do to make sure it stays current and viable over its life. These should be key ingredients of your sustainability plan:

Upgrade – Don't fall behind on upgrades. Upgrades not only fix known issues, they also add critical new features and keep the ERP conversant with new technologies. You are paying for the upgrades through your Maintenance Agreement, so take advantage of the upgrades to keep your ERP up to date. Plan the upgrades with your services partner, and set aside budget to implement them.

Manage your Customizations – Adding additional modules and systems to your ERP can greatly enhance its power and reach. However, these customizations need to be handled properly. You need to take into account the architecture and framework of your ERP. The danger is that if you don't, and take a "cowboy" approach to customization and integration, you can end up on a very lonely island. If customization is not handled properly, it can make it impossible to upgrade your system. If you end up in this position, sooner rather than later you're going to have a legacy system on your hand.

Luckily, the architecture of some of the modern ERPs are designed to encourage and support a flexible, customizable environment. Bidirectional API's allow third party applications and customizations to communicate directly with the ERP in a controlled manner that will fully support upgrades. The core functionality, or "kernel" of the ERP system is also cordoned off to protect it from any non-standard interaction. Certain ERP vendors have created an architecture that protects its clients from themselves.

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Keep everyone involved – We highly recommend that after implementation you maintain a multidisciplinary steering committee focused on the ERP. Everyone needs to be involved to ensure that issues are addressed and that the ERP continues to meet everyone's needs. An ERP touches almost every aspect of your business. It's important that the company as a whole doesn't see it as the domain of IT or Finance, but as something that is the responsibility of the whole organization.

Summary

An ERP is central to the operation of a modern company. The selection, implementation and maintenance of an ERP needs to be seen as a multidisciplinary undertaking that is the responsibility of the entire company to maximize the chances of success. An ERP project should be seen as a mission-critical undertaking for the entire team. The right ERP solution can be sustainable, flexible, and profitable.



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