ERP Implementation - The Traps

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Overview

ERP implementations are littered with tales of lost millions and withdrawals after implementation. Many of the most experienced IT organisations have failed. So what are the secrets? What are the traps? This question could produce at least a book, and probably a sequel. Here are a few things the Vendor is not going to tell you about. They are by no means the most important, but they are missed in many implementations.

Positives and Negatives

Most organisations do not understand the *costs* associated with an ERP system when they first commence the implementation. The *benefits* are usually well understood. The Vendor will make sure of this. The costs do not surface until well into the implementation - and why should the Vendor talk to an organisation about the costs and difficulties when they are trying to make a sale?

On the surface, there are very attractive reasons for going ERP. Benefits include:

- A single system to support rather than several small and different systems
- A single applications architecture with limited interfaces
- Access to management information unavailable across a mix of applications
- Access to best practice systems and procedures
- More integration hence lower costs
- More "automation" of tasks Generic Costs and Impacts

The Vendors understandably, do not play up the costs and impacts. Some of those are:

- Implementation effort will be bigger then ever talked about, or even imagined. We are yet to hear from an organisation who have implemented ahead of schedule and under budget.
- Because of the richness of functionality, the "toy box effect" can take over. Users see all the functionality available and suddenly they want it now. The scope can grow out of control.
- The existing environmental mix between what is done manually and what is done by the system will swing dramatically after implementation. Many more tasks will be automated. Automation will significantly reduce the flexibility of how you operate as a business.
- Users need to become more computer literate. Many see this as personally challenging - even beyond their ability - and will not cope, or leave the company.

- The word "Enterprise" in ERP means that whatever happens in one area has a ripple effect in other areas. Understanding the implications of actions of one area, on other areas of the company, is not something that happens overnight. Training tends to focus on how do I do my job. It should also focus on what are the impacts of my job, in other areas.
- Near enough is no longer good enough. Data integrity becomes critical. The computer cannot make human judgements. If stock is moved, it is no good somebody remembering where they put it. The information needs to be put into the system or there will be a domino effect.
  E.g. Stock is moved from location A to location B and the information is not put into the system. The system will tell someone to get the material from A and when it is not there, they have to go looking. At the same time it is telling someone else to put new material in B, but B is full. The first person finds the original material in B and logs it into the system. We now have double the quantity in the system again and it doesn't re-order. And so it goes on and everyone is blaming the system
- ERP systems tend to replace old systems. As such it is a quantum leap for all areas of the company. It is replacing the trusty Ford with a high performance Ferrari. This happens at a Technical level as well as a Business Level. New ways need to be learnt in a very short space of time. Things have to be done consistently. No longer are we able to do something one way in one branch and another way in another branch. The system is going to determine how we do things in all locations.
  Even within one location, special treatment may not be possible any more without changing the configuration of the system. If the system says you can either have 0, 15, 30 or 60 day credit terms, you can no longer offer 45 day terms without changing configuration. If consistency can be implemented, there is good potential for cost savings as well as getting rid of special arrangements that reduce profit.

Corporate Culture

All the points above contain technical issues or business issues, which can be managed if they are identified soon enough. Training can show people the impact of their actions in other areas. QA programs can focus on quality of data. What most managers who have been through an ERP implementation, will tell you, is the biggest impact is on "Corporate Culture". It is always underestimated and never overestimated.

Corporate Culture is a combination of two things:

- The type of people who are employed by a company. Their personal values, skills, habits etc.
- The way the organisation works. The focus, decision making process, attitude to staff, stability, etc

Both feed off one another. Job applicants who feel aligned with the way the organisation works and comfortable with the style of person who interviews them, will likely get the job, and perpetuate the Culture.

To successfully take on an ERP system, an organisation needs to change it's "Corporate Culture". It may need to change from being highly flexible and not paying

a lot of attention to consistency or accuracy, to one of being almost obsessed with detail. Of being prepared to have Business Practices that are actually adhered to rather than just being documented and forgotten. People need to change from focusing on turnover to focusing on profit. ERP makes profit far more measurable down to Department, Customer and Material level.

Staff need to change their focus from their own job, to the whole organisation. What they do in their area has impacts in places they may never have envisaged. None of this is easy, and in many cases will be un-achievable. Some people will not be prepared to make the change and will either leave of their own volition or be asked to leave. This is the cost of ERP.

Another dimension to "Cultural Change" is the timeframe in which the change is to be made. It basically needs to happen over a few days. One week you can bend all the rules and get away with it; next week the system will not let you.

No matter how much training and preparation takes place, it cannot prepare many people for reality. That is not to say the preparation should not take place. The preparation will ease the pain, not take it all away. The more preparation the less the pain.

On the positive side, some people will take to the system like the proverbial duck to water. These people tend to be (but not all are) younger, newer employees who have had experience in other organisations. They know the benefits of a good system and are frustrated with the current one. They will jump at the chance to make use of the new technology.

Change Management

Change Management is about setting expectations that lessen the pain of change. People involved in a change expect to go from A to B. Perhaps where they are actually going is to C. Change Management is about getting them used to the idea that C is the real destination.

To give an example, any new system is bound to have teething problems. If users expect that all is not going to run smoothly on day 1, and that they may be working back late for the first week because of problems bedding in the new system, they are less likely to reject the system when it does go wrong. On the other hand telling staff that this is going to be a great new system with no problems can only lead to disappointment and rejection when bugs appear. As such, change management is measurable.

Measuring attitudinal changes is not a complicated process. Properly managed, we can see how people feel about the changes over a period of time, and how they shift in their expectations. The results of money spent on change management can be seen. Not putting in the effort before implementation will cost an organisation after implementation.

What is the cost to an organisation of a system that is forced upon people, and with which they feel little ownership? They will either sink it, or ensure it never reaches it's potential. Either way, the organisation will never get the return on investment it imagined.

Other experiences.

A survey of organisations that have implemented ERP's was carried out recently. It identified "10 Common Causes of Disaster".

Change Management and Training.

This was mentioned as the major problem with implementations. Changing work practices to fit the system is a major difficulty. Also mentioned was training across modules and starting training sooner.

To BPR or not to BPR

It is difficult to draw the line between changing Business Processes to suit the system or retaining Business Processes and paying the cost, in dollars and time, to change the system. As time and cost squeeze the implementation, the usual path is to not modify the system, but to change the way people work. This feeds back into Change Management and Training

Poor Planning

Planning covers several areas such as having a strong Business Case, to the availability of Users to make decisions on configuration, to the investing in a plan that captures all the issues associated with implementing

Underestimating IT skills

As most people are upgrading from old technology, the skills of the staff need to be upgraded as well. The upgrade is also going to place significant demands on a team who are geared to maintain an old but stable environment. Usually this effort is underestimated.

Poor Project Management

Very few organisations have the experience in house to run such a complex project as implementing a large-scale integrated solution. It usually requires outside contractors to come in and manage such a major exercise. It can be a fine line between abdicating responsibility and sharing responsibility. Many consulting firms do a disservice to their clients by not sharing the responsibility.

Technology Trials

The effort to build interfaces, change reports, customize the software and convert the data is normally underestimated. To collect new data, and clean the data being converted, will also require an effort that is beyond what is normally expected.

Low Executive Buy-in

Implementation projects need Senior Executive involvement to ensure the right participation mix of Business and IT, and to resolve conflicts.

Underestimating Resources

Most common budget blowouts are change management and user training, integration testing, process rework, report customisation and consulting fees.

Insufficient Software Evaluation

This involves the surprises that come out after the software is purchased. Organisations usually do not do enough to understand what, and how the product works before they sign on the bottom line. The Bleeding Edge ERP is so massive and

integrated that reporting and linking to other systems (either your own or your customers and suppliers) can be much more difficult than you expect. Companies looking at ERP need to examine how they accept online feeds from a customer, or a customers' customer, and examine the technological enablers as well as the implications of these technologies inside of the Business.

Summary

All this leads to a list of likely problems with an ERP system:

- The cost is likely to be underestimated
- The time and effort to implement is likely to be underestimated
- The resourcing from both the Business and IT is likely to be higher than anticipated
- The level of outside expertise required will be higher than anticipated
- The changes required to Business Processes will be higher than expected.
- Scope control will be more difficult than expected
- There will never be enough training - particularly across different modules
- Most important of all, and the single biggest failure point for ERP implementations, is the need for change management. The need for change management is not likely to be recognized until it is too late. The changes required to corporate culture are likely to be grossly underestimated. It is going to be hard enough to cope with the technical issues without having to address major people issues as well

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Project Perfect sell “Project Administrator” software, which is a tool to assist organisations better manage project risks, issues, budgets, scope, documentation planning and scheduling. For more information on Project Administrator or Project Management visit www.projectperfect.com.au