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An Expert's Guide to ERP Success

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Chapter 4. Planning for Implementation

Many companies look at an ERP implementation as just another IT project. “Get the software in and make it work,” executives say. “It’s not surgery!” In actuality, it’s more like surgery than they may think. If the process is a failure, there is a very real chance the company will die.

When preparing for surgery, you need to have your vitals checked. You need to fully understand why you need this surgery, what the risks are, what your ultimate prognosis is and what expectations you can have for recovery. You need to inform your family and friends why you will be out of commission for a while, and you want to make sure that your insurance is intact and ready to manage all the associated costs. Most importantly, you’ll probably want an anesthesiologist in the actual operating room to knock you out before the physician opens you up.

In an ERP implementation, the same preparation work needs to occur. You need to have an understanding of why this software is needed and what benefits it’s going to bring to the organization. You need everyone in the organization to understand the process and, while there may be a few complications along the way, these will be far outweighed by the ultimate recovery. You need to have a documented business case and the total cost of ownership outlined. You need to have your current system backed up, data ready to convert and a risk mitigation plan in place should something go wrong.

Once the surgery is underway and the surgeon is performing the operation, there must be a support staff to monitor blood pressure, check and administer fluid levels and provide the surgeon with all the necessary tools and medical devices. All of this is unfolding as the anesthesiologist closely monitors your progress and makes sure you don’t wake up to complete chaos and utter pain.

During an ERP implementation, the project management team acts as the hospital staff, coordinating and monitoring everything from project timing to budget and risk management. Just as the surgeon cannot have success without a strong support network, the technical implementer cannot have a successful ERP implementation without a clear roadmap and guidance from a strong project management team.

Aligning Enterprise Software Expectations with Reality

Most enterprise and ERP software implementations begin with great expectations: reasonable costs, quick implementation duration and huge business benefits. However, as Panorama’s independent ERP research suggests, these expectations are rarely met.

Part of the problem begins with unrealistic expectations in the planning stage. Software sales vendors are an optimistic bunch and are rarely on the hook for delivery of timely implementations that come in under-budget and deliver business benefits, so it’s often easier to share best-case anomalies with their prospects rather than a realistic view. The trick is balancing reality with the desire to pursue an aggressive timeline.

- **The average company spends 9-percent of annual revenue on its total enterprise software implementation.** This includes the total cost of ownership related to procuring software licenses, technical configuration services, consulting services, hardware upgrades and internal costs.

- **The average ERP implementation takes 16 months.** Most software vendors reveal examples of companies that implement their enterprise software solutions in a very short period of time, but the reality is that most ERP initiatives are incredibly time-consuming.

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- **The majority of organizations will experience change management issues.** According to Panorama's ***2012 ERP Report***, 63-percent of companies experienced difficulty in addressing process and organizational change issues during implementation. Having a clearly defined and realistic change management plan is the first step to ensuring your staff's expectations are aligned with reality.

Having been in the ERP and enterprise software industry for nearly two decades, I know that implementations can be on time and on-budget while delivering measurable business value. However, I've also seen enough troubled implementations to know that there can be significant speed bumps along the way. Understanding these challenges and having a realistic sense of what it's going to take to get the implementation done effectively is the first step to a successful ERP initiative. These expectations are important during an enterprise software evaluation and selection process.

Key Elements for Documenting ERP Software Requirements

Requirements must be defined at various stages of the ERP project. The stage of the project dictates the level of detail that must be captured. For example, during the ERP software selection process it's necessary to capture requirements at a higher level of detail than during actual ERP implementation. Writing computer code for a new software program requires an even higher level of detail. The recurring theme is to capture the critical component of a given business process and convert that discussion point into a requirement at the appropriate level of detail.

During a high-level requirements definition workshop, there are a number of tools and techniques, which can and should be employed in order to reduce the risk of missing a key requirement.

- **Actor Map** – Defines the relationships among the actors in the actor table
- **Actor Table** – Defines the roles played by people and things that will interact directly
- **Domain Model** – Defines groups of information that must be stored in the ERP system and the relationships among the groups
- **Use Cases** – Describes the major functions that the ERP software will perform for external actors as well as the goals that the ERP system achieves for those actors along the way
- **Use Case Map** – Illustrates the predecessor and successor relationship among use cases

When documenting the workshop activities, a spreadsheet can greatly assist in organizing each final requirement specification by functional area, which will aid in the final presentation of the requirements in the forms mentioned above.

Determining Organizational Readiness

Does your organization avoid surveys like the plague? This may be easier to change than you think. By understanding the importance of constructing a quality survey during the planning process, you can use this powerful tool to gather valuable insight to prepare for a smoother ERP selection and go-live. Don't overlook the benefit of providing employees the opportunity to express their opinions. Surveys can be a tangible way to demonstrate strong leadership – leadership that believes in learning and making improvements through

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establishing a closer partnership with employees.

First Steps

- **Eliminate the word "survey" from your vocabulary.** Instead, propose to solicit "targeted feedback" for the purpose of improving your ERP implementation. The words "employee survey" can make even the most progressive management groan.

- **Position the survey to come from high profile leadership.** Take advantage of the opportunity to convey influential messages from top leadership.

- **Understand the organization's survey history.** How have they been used in the past, and what were the resulting perceptions? Was the survey painfully long and cumbersome to complete? Did the results put someone in the hot seat or worse, result in absolutely no reaction or change?

- **Be realistic about your organization's ability and willingness to open the doors for suggestion (i.e., criticism).** Along with the negative, there will be the useful and positive. The reluctance to give voice to possible dissenters is one of the main reasons for survey resistance.

- **Consider segmenting responses from your major populations**. It can be very revealing to analyze the difference in perceptions between types of system users, functional areas, length of service and level of position within the organization.

Tips For Success

- **Define your audience and objectives.** This sounds obvious, but you can expect to find a wide range of opinions regarding what will truly be useful in planning. Are you trying to assess satisfaction with current or past projects? Are you trying to identify populations of negativity so you can address them specifically? Are you trying to determine whether your employees understand project objectives and are ready to tackle the upcoming challenges?

- **Use a web-based survey tool like SurveyMonkey.** This will provide ease in completion and result compilation as well as guarantee anonymity.

- **Be concise.** Strive for the shortest and most user-friendly survey possible.

- **Ask the right questions.** Ask questions that will give exact information to support your planning.

- **Use open-ended question sparingly.** They can provide depth to your summary but take time to analyze.

- **Include a powerful introduction.** Prepare an intro that gives context for the questions, sets expectations for completion time, provides a clear level of anonymity, explains how the information will be used and expresses appreciation for candid responses.

- **Be prepared to act upon information that indicates opportunity.** This may range from completely changing the training plan to communicating why you won't be addressing a common concern that the survey revealed.

- **Include a follow-up.** After the window for participation closes, follow up with a thank you message, and provide any summarized results that support a positive message. For example: "The feedback

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consistently reflected a desire for more communication on when and how training will be provided, and this is being incorporated into the communication plan."

What To Avoid

- **Unnecessarily long surveys.** Determine the appropriate amount of detail that will provide useful information for planning purposes. Eliminate questions that don't produce meaningful data.

- **Rating an individual or department team for a past project outcome.** It is far more useful and less inflammatory to gauge users' levels of confidence in whether this particular project will be managed well.

- **The perception that the information gathered was not used.** This happens when respondents are not given any follow-up acknowledgement. Even if the feedback is predominantly negative, communication expressing thanks and intent to evaluate results for future improvement should follow the survey as quickly as possible.

A carefully crafted survey with a quality delivery and follow up plan can yield excellent opportunities to improve your implementation and promote a collaborative climate. The most difficult part may be convincing your organization to overcome the commonplace "survey-aversion" to tap into one of the best sources of project planning information: your employees.

The Nitty Gritty of ERP Budgeting

The hidden costs associated with ERP systems is one big reason why almost all companies go over-budget with their ERP implementations. Simply put, they often forget to identify all the "real" costs associated with any ERP project, such as hardware, training, organizational change management, hiring temporary contractors to replace project team members, customization, etc.

However, I think the problem goes much deeper than this. Too many times, I have seen CIOs who are so in awe of the whole ERP concept that they want to implement it, no matter how much it costs or how little of an ROI it delivers. Other companies get involved in what I call the "ERP sales trap." In other words, they let the software vendors convince them that the cost isn't going to be as high as they might think. Other times, the project team just doesn't know any better.

Important Steps to Contain ERP Projects and Stay on Budget

- **Ensure executives outside of IT are involved in the vendor evaluation and planning process.** Having more executives involved will help the management team identify all the hidden costs and benefits of implementing ERP.

- **Take your time during the ERP evaluation and project planning phase of the process.** Too many companies rush into ERP as if the world is going to end without it, and they don't take the time to clearly outline their business requirements, thoroughly evaluate the various vendors and plan for a successful project. Any company that is serious about making its ERP project successful should spend at least three to six months on the selection and planning process, and possibly even more (especially for companies that take longer to make decisions or are over $200 million in revenue).

- **Develop an actionable, realistic business case.** A business case should be used for more than just convincing top management to approve the project. It should also be used to identify and manage

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operational business benefits and key performance indicators during and after the implementation.

- **Develop a realistic project plan and implementation timeframe.** It may seem obvious that you won't know your true costs until you develop an implementation plan, but too many companies try developing an estimate before a plan has been identified. This is the perfect recipe for a significant cost overrun.

Be open to the fact that it might not be time for ERP. Many may find this concept blasphemous, but even companies with the most manual processes and outdated technologies may not be suited for ERP. As stated previously, perhaps a better and more cost-effective solution will help, such as business process improvements, best-of-breed software, etc.

Hidden Costs of ERP Projects

- **Internal company resources used to make decisions on ERP requirements and help with system design and perform testing.** Aside from a full-time core team, most ERP projects require the involvement of three to five part-time subject matter experts for each full-time core team member.

- **Internal or external resources used to manage data conversion and interface development and report generation.** Getting the system implemented is a huge milestone, but not if you haven't converted data or built the right interfaces and reports.

- **Employees to support communications and training material development and training deployment activities.** Many assume that the implementation consultants will handle this, but company employees also need to provide much of their time to help develop materials and deploy training.

- **Time that senior management is involved in decision-making and conflict resolution.** In a perfect world, employees across all office locations and geographies would be able to make decisions that everyone agrees are best for the business overall. In reality, senior management is often required to make decisions on behalf of the business, prioritize business needs and provide strategic direction to ensure the project is aligned with overall business goals. There are costs associated with this time and it should be quantified accordingly.

- **Design of business processes, particularly if the project involves a large, multi-national company with fragmented operations.** ERP presents an opportunity to standardize and globalize operations across multiple locations, so arriving at a common operating model takes time and resources. It should not be assumed that the software itself will provide all the answers; business users need to decide how they are going to best leverage ERP to run their operations in the future.

- **"Backfilling" project team members with contract or other employees to manage day-to-day activities for the project team members who are no longer able to commit to their day-to-day jobs.** It shouldn't be assumed that the business will continue to run as normal without replacing people that are devoting their time to the project.

- **Travel and expenses for team members, particularly if dealing with a global project.** Project budgets should assume at least 15-percent of total *consulting* costs for travel, then double this amount to account for internal project team travel.

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How Much Can You Afford to Lose With Your ERP Implementation?

ERP software is one of the most expensive technology initiatives an organization can undertake. While the payback can be large, most companies do not have a clear ERP budget defined or truly grasp the scope of possible business benefits until the ERP implementation is completed and the ERP software is in everyday use.

Based on Panorama's 2012 research, the average annual cost for companies implementing on-premise ERP packages is $10.5 million but only 50-percent of companies realized 50-percent or more of the business benefits they anticipated. So what do these numbers mean to your business? As stated in our ***2012 ERP Report***, a well-defined business case is essential to identify and quantify costs and improvement throughout implementation and beyond. A business case captures potential cost savings and establishes a baseline that can be measured against to determine improvement. While organizations want to know when they will realize the total cost of a project, a good organization will capitalize on the ERP system. Not only should a company calculate their breakeven point but also its overall return on investment. It is critical to understand how the project has made the company more profitable overtime.

Please realize that realized business benefits are normally independent from software selection satisfaction. Satisfaction with software selection is usually the result of a smooth evaluation process, while realized implementation benefits are based on the success of various other factors. Selecting a "perfect fit" ERP software package is only a start. Best-in-class enterprise software initiatives should also include comprehensive analytical tools and guidelines for the ERP implementation as well as effective organizational change management activities.

Tips for Staying on Budget in ERP Implementations

- **Leverage experienced resources.** Whether they are internal employees or external consultants, it is important to ensure you have team members that have navigated their way through implementations in the past.

- **Fully define your business processes and requirements.** Most of today's ERP software options are very flexible and provide many options for improving your business processes. However, it's up to you to decide what those new business processes will look like. Too many companies expect the software to drive their business processes, but the reality is that most software is very flexible and requires definition on how the processes and workflows should look for your particular business.

- **Don't skimp on training or organizational change management (OCM).** While these are often viewed as "soft" activities, ERP organizational change management is extremely important to the success of your project.

- **Take the time to get it right.** Make sure you budget time to thoroughly test new business processes, security roles, customization, etc. Too many companies rush to slam in their ERP systems because they didn't adequately budget time for these key activities.

A good rule of thumb that we share with clients, and one that is confirmed in our ERP benchmark research, is that software licenses will likely consume only 25-percent of your total ERP implementation budget. In other words, implementation will likely cost three times what you spend on the software itself. Understanding this early in the process will save you a great deal of heartburn later on.

Tick Tock – ERP Implementation Timetables

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A core problem with ERP implementations is unrealistic expectations about the duration required to go-live with the least amount of business risk and maximum level of business benefits. In fact, according to my company's ERP research, over half (54-percent) of ERP projects finish past due. To complicate matters, most ERP software vendors don't do much to help manage expectations during the initial sales and planning process.

During the ERP software selection process, it can be difficult to know exactly how long the chosen software will take to fully implement. While software sales reps will typically provide optimistic scenarios, they often do not take into account key activities and other considerations that can materially affect the implementation duration. With that in mind, it is important to go into the software selection and implementation planning process with eyes wide open. The following four reasons are often to blame when ERP implementations go over the time allotted:

- **Unrealistic expectations.** The first and most common problem is with unrealistic expectations. When an ERP project team underestimates the time it will take to complete the implementation, they tend to skimp on important activities such as organizational change management or process design, which then creates more risk and delays as the project progresses. This issue often stems from ERP software vendors or VARs that downplay the required time to implement the software during the sales cycle. Given the snowball effect that it creates, 'misaligned expectations' is often the first domino to fall in a failed ERP project. It is important to set realistic expectations during the ERP software evaluation and software selection process.

- **Not adequately accounting for business-oriented activities**. ERP is about much more than the software. While it is relatively straightforward for an ERP software vendor to estimate how long it will take to install and configure the software, it is much more difficult to predict activities that are not directly related to the software. For example, defining business processes, making decisions about how the software should be configured and facilitating conference room pilots are key activities that are important, yet often overlooked or underestimated when developing the implementation plan.

- **Lack of resources to dedicate to the ERP project.** It is important to have clear assumptions in your project plan about how many internal and external resources will be supporting the project. We see many companies agree to a project plan with their chosen vendor, only to find that the two parties have differing expectations of how many and what types of people will support the project.

- **Software customization**. An overwhelming majority of clients we work with intend to implement their chosen ERP software "out-of-the-box" with little to no customization. However, once implementation begins, project teams will inevitably find at least a handful of functionality gaps that they would like to address by changing the software. In fact, Panorama's ***2012 ERP Report*** found that only 11-percent of companies implemented their chosen ERP solution with limited or no customization. So while it may not be realistic to suggest that there will be zero customization to the software, it is important to prioritize and limit the amount of customization with a tight project governance structure to help contain costs and time. There is a direct correlation between ERP customization levels and implementation duration, which highlights the importance of managing scope.

- **Slow client decision-making.** Modern ERP software in general is very robust and flexible, which can be a strength and a weakness at the same time. On one hand, it allows flexibility in how you use the software to address your business needs without the need for extensive customization. On the other hand, such flexibility requires more decision-making and buy-in into the way the software will be set up, which some companies struggle with. It is important to understand who will be making these decisions, how they will be made and how they impact the overall implementation duration, because these

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decisions are often reasons for project delays.

While ERP projects are always challenging, they don't need to take longer than expected. Companies should begin by setting realistic implementation expectations during the ERP software selection process, then manage resources and customization to stay on schedule. Leveraging the assistance of an independent ERP consulting firm will also help create a realistic implementation plan that considers the project activities required for success and minimizes overall project duration and cost.

Getting Started

We work with many companies that are either about to embark on or are in the midst of their ERP implementations. Early in their software selection process, these companies are usually filled with optimism about the possibilities that a new ERP system will bring them. Improved business processes, closer interaction with customers and faster order fulfillment times are just a few of the things that they expect to see from their new ERP systems.

However, something changes once they hear the starting gun and begin the actual ERP implementation. People have a tendency to move from wild-eyed optimism to modes of fear, panic and defensiveness once the race begins. Instead of focusing implementation activities on maximizing ERP benefits realization, project teams start focusing more on trying not to screw up. They are much more concerned with making sure the project goes live on time and on-budget without creating too much of a disruption to the business. Forget about all the other ERP business benefits that are identified during the software selection process.

This change in focus and priorities can be attributed to three things. First of all, many companies don't realize the complexities that a new system brings. During the sales cycle, vendors will try to convince potential clients that the implementation is a quick and easy process. They are right in one way: the technology is indeed easy. However, getting the business to adapt to the changes is another story, which is why organizational change management is so important to the implementation process.

Second of all, most of today's ERP software is so flexible that it almost creates too many options for companies. The question isn't whether new enterprise software will drive changes to business, but the question is how? If a system has three main options for filling an order in the warehouse, which one are you going to implement? Decisions like these, which can easily number in the hundreds in an implementation for a mid-size company, can take a great deal of time, cause delays and demoralize project leaders. It's no wonder they start to forget about business benefits and instead just concentrate on getting the project done.

Companies must remember that ERP is somewhat of a triathlon: it begins with software selection, continues with implementation and finishes with benefits realization. The finish line isn't after that second stage of the race (which many companies tend to think), but continues to a third phase of improvement and benefits realization.

They also mustn't forget to track business benefits before, during and after implementation. It's understandable that an implementation has a lot of moving parts and involves a great deal of work, but neglecting business benefits is one of the biggest mistakes to make. Tracking helps drive design decisions, rationalize customization requests and ensure that the business realizes determined benefits after go-live.
Perhaps most importantly, it's important to know that you're training for a triathlon, not a flag football game. Implementation will probably take longer, cost more and be more complex than you expect. However, this is no reason to limp to the finish line. You'll need to finish the race and finish strong if you are going to be any better off after ERP than you were before. The way to avoid this problem is to thoroughly and realistically prepare an ERP implementation plan shortly after completing your ERP software evaluation and selection process.

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Charting The Course

Launching an ERP implementation means clear communication about the purpose and expected benefits. A Project Charter is a good way to clearly and concisely make a statement about why it's important. Following is a sample Project Charter to work from:

Widget Company is undertaking a major initiative to upgrade its business systems through the implementation of ERP XYZ. Driven by anticipated changes in the way business will be conducted in the future, as well as increasing Widget Company's competitive advantage, Widget Company has selected ERP XYZ to serve as its business system.

- ERP XYZ will enable Widget Company to achieve the following major benefits:
- Agility to improve and change business processes and practices as prompted by new business requirements or as improvement opportunities are identified
- Standardized data structures and transaction processing across Widget Company's business
- Improved communications among and visibility across Widget Company's operations
- A technological platform that facilitates interfacing with customers and suppliers
- Continuous enhancements of software functionality through future vendor releases, which will help keep Widget Company in pace with technological advancements

As part of the implementation process, Widget Company desires to leverage Project New Biz as an opportunity to rethink Widget Company's current operations and processes. The objective is to take full advantage of the software's built-in functionality, while maintaining and improving systems in support of Widget Company's businesses.

In summary, Widget Company is focused on operational excellence; the foundation for achieving this is Project New Biz. Project New Biz should be considered a significant strategic step for Widget Company in preparation for the future.

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Your ERP Implementation Plan

If one listens to the hype from some ERP software vendors, ERP implementations are a cakewalk. According to these sales messages, pre-configured industry solutions, data conversion tools and generic training materials allow a company to have their ERP system up and running in no time.

If ERP implementations are so easy, then why does Panorama's independent research show that most implementations take much more time and money than expected?

It all comes down to two things: expectations and your definition of implementation. If you have unrealistic expectations or narrowly define an implementation as a technical installation of software, then chances are you are going to be disappointed with the end result.

If, on the other hand, you have realistic expectations about the kind of time and money required to make the project successful, then you are more likely to finish your ERP project on time and on budget. Part of realistic expectations involves defining the implementation in terms of what it will take for your business to adopt the software, beyond simply implementing the software. Software installation and configuration can theoretically be done in a weekend – all the other stuff is the hard part.

So what are the ERP implementation elements that cause the most delays? Here are the five most common, based on our client experience:

1. **Business process and workflow definition.** An ERP system isn't a hodgepodge of random transactions. Instead, it should enable a clearly defined and effective end-to-end business process flow. Your software vendor will typically provide software that is configured to complete the transactions, but it's someone else's job to define the comprehensive business processes in the context of your business.

2. **Business and Software Testing.** The software may work perfectly, but that won't matter if your business processes and integration to other systems isn't thoroughly tested. An iterative series of conference room pilots is instrumental in ensuring you've worked out all the kinks prior to go-live.

3. **Organizational change management (OCM), training, and communications.** A big red flag in any software vendor's sales message is when you hear that OCM needs are minimal because of the software's canned training materials. No two businesses are alike and no two departments within a company are alike, so each company and workgroup needs to have training materials and content that is somewhat tailored. In addition, an effective implementation plan will include a host of OCM activities, including employee communications, process and organizational gap analysis, and a benefits realization plan.

4. **Data.** This one can be a killer. It's rare that your legacy data is going to fit neatly – or even semi-neatly – into the new software data structure. Chances are that item numbering conventions are inconsistent, chart of account structures need to be revisited or customer data needs to be cleaned up. This is a lengthy process with an end result that needs to be thoroughly tested, so it is imperative that this project activity start sooner than later.

5. **Reporting.** Although it's a key part of to running a business, reporting is often viewed as an afterthought during an ERP implementation. After all, how hard can it be when your chosen ERP software has thousands of canned reports? Harder than you think, because you still need to map your needs to the new reports and define how you're going to use them. In addition, most companies require some custom report development to get what they really need, but they often times scramble to finish

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this activity at the end of the project. We advise our clients to address this area very early in the implementation since it can be done in parallel with other early project activities before things get too hectic.

If these items are not included in your plan with adequate time and resources, then you are setting yourself up to be an unfortunate statistic in our ERP benchmarks. On the other hand, addressing these items will make your ERP software initiative more successful.

Implementation Checklist

- Process definition and workflow
- Training needs assessment
- PMO (Project Management Office)
- Communications plan
- Customize/tailor training materials
- Customization requirements
- Fit-Gap analysis
- Security profiles
- System validation
- SOX compliance/internal controls
- Go-live checklist
- Go/No-go assessment
- Conference room pilots
- Testing – software and integration
- Core team training
- End-user training
- Forms definition and reports
- Data migration planning and execution
- Benefits realization plan
- Technical solution architecture
- Post go-live audit
- Help desk and support
- Global/localization
- Requirements and validation
- Solid budget
- Business case

When developing or analyzing ERP implementation plans, companies also should insist the following elements are included:

- **Project Initiation:** complete team structure definition, communication planning, risk management and governance and control

- **Execution:** data migration, training strategy, business simulation, gap analysis and process testing

- **Close:** cutover strategy, verification, transition planning, communication, go/no go decision, SOX testing and legacy data archive and system de-commissioning

Defining a Business Blueprint

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So you've looked at multiple ERP systems, selected an ERP vendor, negotiated a sweet deal and are excited for the possibilities. Time to call in the vendor's consultants and start the ERP implementation, right? Well, not so fast . . .

Panorama consultants have written in great detail about how important it is to treat your ERP implementation as a business initiative rather than a technical software project. In order to keep the tail from wagging the dog, it is key that your business and organization requirements be well-defined prior to starting the system design and calling in the experts.

Successful companies first define a business blueprint for their ERP implementation. There are a number of foundational activities that need to be defined up front so your team isn't spinning its wheels and your consultants aren't racking up hours of inefficient but billable time. Much like an architect first designs the building before calling in his general contractor, framers, electricians and plumbers to start work, an ERP system business blueprint helps a company establish common vision and direction for the project.

In fact, ERP projects resemble construction projects in many ways. Both projects employ project managers; both have project budgets and cost estimates; and both have a large list of activities, tasks, and owners. In both projects, a large variety of activities need to come together to produce the desired outcome.

Construction projects have achieved a great level of predictability in producing a consistent, quality result within a planned budget and timeframe. In the planning stage of a construction project and well before construction begins, there is often an architectural drawing showing the planned appearance of the finished structure along with documentation that details cost, schedule and the engineer’s blueprints. A construction project typically has a comprehensive project plan and a very predictable outcome.

ERP projects have not yet achieved the same consistency and predictability as the contraction industry. It is as if the ERP industry has forgotten about the core concepts of project planning and ongoing project management. Are we becoming too accustomed to ERP failures and losing sight of real ERP success?

Organizations need to return their focus to the core concepts of project management. They need to revisit the practices of the construction industry, so their ERP initiatives can have predictable and successful outcomes. They need to understand that not everyone is capable of building a house and that a true expert needs to be consulted to hedge against disastrous results.

A construction project has a blueprint, so why shouldn’t an ERP implementation? A great ERP project manager knows the key to ERP success is to make the ERP implementation as predictable and consistent as a construction project. The only way to truly do this is to form a solid foundation early and do so with a thorough ERP blueprint.

Below are five key things to focus on during your ERP blueprint:

1. **Business processes and requirements.** While you may have defined your company's business processes requirements during the evaluation phase, they were probably fairly high level and certainly didn't take into account the functionality of the chosen software since you hadn't yet chosen one. The blueprint phase should take those processes and requirements to the next level of detail by identifying specific workflows by job and function, process improvements to be implemented (perhaps even independently of the software), and roles and responsibilities within the new business processes. These deliverables will serve as the foundation for your system design, testing scenarios and organizational change management activities going forward.

2. **Organizational design and readiness.** ERP systems always entail a great deal of change for most – if

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not all – of your employee base. Companies often use ERP software as a means to standardize business processes across locations, establish shared service functions like HR or finance or redefine roles and responsibilities in the new system. Time needs to be spent up front defining what the new business, operational and organizational model will look like. In addition, the company should take the "temperature" of employees' readiness and openness to change and develop an organizational change management (OCM) plan that addresses the realities on the people side of the equation.

3. **Data migration strategy.** Data migration is often put off until the end of the project because organizations don't realize that it can be quite difficult to achieve once the system is designed and tested. Data doesn't always map correctly, the system doesn't always handle the volumes of data it needs to, and project decision makers aren't always clear-headed enough at the end of a project to decide what and how much data to bring over to the new system. More often than not, this activity becomes a critical task late in the game, so it is important to plan accordingly.

4. **Forms and reports.** Ditto to forms and reports – they too are often put off until the end of the project. This is a puzzling trend because what good is an ERP system if you can't input or extract the information you need to run your business? It is literally never too early to start this activity, and in fact, Panorama often begins this activity with our clients before we have even recommended or selected an ERP software solution.

5. **Final cost and time estimate.** You may have defined an initial time and cost estimate as part of your ERP software selection process, but it will need to be validated and refined once other business blueprint activities have been completed. By the end of the blueprint, you should have a very detailed sense of scope, times, durations, milestones, resource projections and costs.

Implementation Strategies

One of the difficult decisions of an ERP implementation is the implementation strategy: do you take the big bang approach and get it done quickly, or do you slowly phase in new processes and technology over time?

The answer is that it depends. The appeal of the "big bang" implementation strategy is that it focuses the organization for an intense and relatively shorter period of time than if the project were phased. This often helps address long-term resource shortages. It also condenses the difficulty of an ERP project into a shorter period of time, although it's important to realize that the pain is typically more pronounced using this approach.

The downside of the big bang implementation approach is that the project is often rushed, details are overlooked, and changes to business processes may not be the best ones for the organization. And, as mentioned above, the pain is often more severe due to the hectic nature of this approach. More often than not, my experience has been that projects that implement an overly aggressive big bang approach are more risky and result in less satisfaction with the system's abilities to meet important business requirements.

The other end of the spectrum is to follow a slower, phased approach. This can either be by functional business area or geography. The appeal here is that it allows project teams to take their time in the planning, customization and testing of the system while continuing with day-to-day jobs. It must be noted, however, that these types of phased projects often lack the urgency and focus of a big bang project. They can also lead to "change fatigue," which can cause employees to become burned out on constant change. Instead of getting the project over with in a shorter period of time, these projects involve constant change over longer periods, which can be draining to employees.

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Both approaches have their clear pros and cons. At the end of the day, it is important to find a balance between both that works best for your organization. Implementation schedules need to be aggressive, but not to the extent that they cause you to overlook important details or make sub-par decisions. It is often helpful to do the project in multiple (but aggressive) phases to help focus the organization and create a sense of urgency.

Alternative ERP Implementation Strategies

In some ways, a more iterative approach to ERP software design, development and go-live is a refreshing change from the typical project that misses duration and budget milestones. However, there are three significant risks to this approach:

- **Organizational Change Issues.** First, this approach creates OCM issues. On the one hand, this approach helps create buy-in and ownership of the new system. However, ERP change is significant enough as it is, so going live without having worked through at least the major issues can be disruptive and demoralizing to the average employee. In addition, users become very frustrated when their system changes from week to week due to new enhancements or updates to the system.

- **Business Risk.** In the case of an ERP implementation gone haywire, one could argue that a few missed paychecks aren't too big of a deal, but the consequences could be much more severe for a manufacturing or distribution company that finds it can only ship a fraction of its normal volume after go-live. If I were the CEO of a manufacturing or distribution company, there is no chance I would be comfortable with this approach given the high level of business risk and uncertainty around this style of implementation.

- **Lack of Clear Requirements and Functionality.** There is something to be said for drawing a line in the sand and saying that you won't go live with the new system until key business requirements and functions are fully developed and tested. Going live without ensuring that key business needs are met and thoroughly tested is risky and irresponsible at best.

- **Difficulty Managing System Changes.** The flexibility of ERP makes a more iterative approach more possible; software can constantly be changed as needed to meet evolving business requirements. However, such flexibility can create somewhat of an operational mess if not managed appropriately before and after go-live.

So what's the "right" way to implement ERP, assuming there is a right way? The answer is somewhere in between the two spectrums. The traditional "design-build" ERP implementation strategy has some structure that helps minimize risk, but it lacks some of the urgency that the alternative approach affords. The alternative approach, on the other hand, creates a sense of ownership and urgency by ensuring a broad set of employees are working out the kinks in the system, but it also neglects key functionality that needs to be in place prior to go-live.

The best thing is to try to get the best of both worlds. Clearly defining requirements and making sure the system meets these requirements prior to go-live is critical. At the same time, there is some value to having people start using the system before all the issues are addressed.

When we advise clients through ERP implementations, we typically suggest a "soft" go-live with a core group of employees several weeks before the official cutover, which serves as a way to get people comfortable with the system, test the system using real data, and work out kinks along the way. This helps balance managing business risk with creating a sense of ownership among employees, which is critical to an ERP OCM program.

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Calling on Your Vendor to Implement

Many ERP software vendors have begun to market fixed-bid implementation services as a way to help their customers manage their enterprise software costs and risk. Even if they don't offer a fixed-bid solution, most vendors will offer implementation services to augment their software licenses.

However, what do these vendor implementation contracts really give you? That's where it gets a little tricky.

First of all, it is helpful to understand what is meant by “implementation.” Installing and configuring software is very different than fully implementing ERP software in a way that is going to meet your business needs. In order to manage their own costs and risk, software vendors will typically include technical implementation basics on their scopes of work but often exclude other key activities that will result in problems if not addressed.

Below are ten key gaps we watch for when helping clients negotiate their ERP software vendor implementation contracts:

1. **Project management.** Software vendors and value-added resellers (VARs) will typically provide a technical lead or project manager of their resources, but it is the client's responsibility to manage the overall project. The software provider does not generally handle activities such as budget and scope management, risk mitigation and vendor oversight.

2. **Functional scope.** Most fixed-bid contracts are very clear about what is and – more importantly – what is not in scope. It is important to have a clear understanding of which of your business requirements are going to be addressed in the scope. In addition, vendors often include a clause that states the customer cannot make changes to a pre-configured solution, which may limit your flexibility to change the software as needed.

3. **Business process and workflow definition.** Software vendors will often configure and, if necessary, customize the software. However, it is up to the customer to define the business processes and workflows so the vendor's technical resources can configure and customize the software accordingly. Although not included in a vendor's scope, this can be a complex and time-consuming internal process if not managed appropriately.

4. **Customization.** Most fixed-bid contracts assume that the customer will use the software 100-percent as-is. Customization is generally not included in scope and will result in additional costs.

5. **Data migration.** It is typically the customer's responsibility to clean up data, define the mapping from the old to the new system and migrate the data. We find this to be an area where clients create delays by waiting until late in the project.

6. **Training.** Vendor contracts usually call for the vendor to train the customer's trainers using their boilerplate materials. It is the customer's responsibility to tailor training to meet the company's specific needs, workflows, roles and responsibilities. It is also usually the customer's responsibility to train end-users and employees on the new system.

7. **Organizational change management and communications.** This area is omitted from vendor contracts an overwhelming majority of the time. In order for an ERP implementation to be successful, key organizational change activities such as departmental process change discussions, process gap

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analysis, organizational and job design and security/profile definition all need to be addressed.

8. **Forms and reports.** The vendor often provides a wide array of forms and reports that can be used out-of-the-box. However, it is up to the customer to define which of them will be used and modify them if needed to meet their business intelligence needs.

9. **Internal controls and Sarbanes-Oxley (SOX) compliance.** Vendors generally do not address any required internal controls that may be unique to a business or industry. Although some ERP solutions protectively build SOX and regulatory controls into their software, it is up to an organization's internal audit team to ensure that the software will address internal controls as designed.

10. **ERP benefits realization.** Go-live is not the finish line for a successful ERP implementation. It is often the adjustments and improvements made after go-live that ultimately determine how beneficial the enterprise software will be to your organization. Post go-live audits, process improvements, refresher training and configuration changes are important steps to optimize your ROI.

Although the above activities are critical to ERP success, they are typically not included in an enterprise software vendor's implementation scope. This is not necessarily a bad thing. However, it is important to factor these activities into your overall implementation duration and budget to ensure that your ERP project is successful.

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About the Author

After 15 years of ERP consulting at large firms including PricewaterhouseCoopers and SchlumbergerSema, Eric Kimberling realized the need for an independent consulting firm that really understands both ERP and the business benefits it can enable. He currently serves as managing partner of Panorama Consulting Solutions, the world's leading independent ERP consultant.

Eric began his career as an ERP organizational change management consultant and eventually broadened his background to include implementation project management and software selection. Eric's background includes extensive ERP software selection, ERP organizational change, and ERP implementation project management experience.

Throughout his career, Eric has helped dozens of high-profile and global companies with their ERP initiatives, including Kodak, Samsonite, Coors, Duke Energy, and Lucent Technologies to name a few. In addition to extensive ERP experience, Eric has also helped clients with business process re-engineering, merger and acquisition integration, strategic planning, and Six Sigma. Eric holds an MBA from Daniels College of Business at the University of Denver.

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