

PERFORMANCE IMPROVEMENT

There Is No Magic in ERP Software: It's in Preparation of the Process and People

by R. Michael Donovan

The arduous and dangerous process of implementing a new ERP system has put many managements in a bind when implementation snarls have brought a company to its knees. In recent times, there has been a flurry of unfavorable business press about ERP implementations gone awry and the resulting negative consequences. For instance, an ERP implementation was taken to task in a recent article which stated "...second-quarter earnings will come in 40% below the year earlier, mostly because of on-going system problems" and "...system glitches created order delays that cost the company \$50 million in lost sales." Yet, in spite of the downside, ERP is sweeping across manufacturing companies at a dizzying pace.

By most accounts ERP system implementations have failed (some estimate 90% plus) to fulfill the promise of significant returns from the investment. An all too common circumstance is that companies go through a long, painful and resource draining system installation only to be surprised that business performance has not improved. For some, the hope and dream of realizing the ERP promise has turned into a nightmare.

Something Is Wrong

First, let's define ERP implementation failure. Certainly, and not uncommon, is that an ERP system is never really implemented and, as a re-

sult, would have to be categorized as an outright failure. Yet, failures are a matter of degree. Often the new software is running on the computer and people use the system for various tasks but do not fully utilize the new system primarily for three reasons. First, inaccuracies in data records and sales and operations planning problems are widely prevalent causes for poor

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ERP system output. Poorly educated and trained users are another reason for failure. People must know the who, what, how, when and why to be effective

ERP users. The third reason for failure is when management applies just ERP information technology as the solution to correct fundamental flaws in underlying business processes. If you are still running business processes the same old way you are guaranteed the same old results. Any one or a combination of these reasons means a lot of money, resources and time were wasted and there is no appreciable return on your investment. The fact is, however, ERP system implementation disasters are avoidable.

Acquiring and installing new ERP information technology is not the real test. Companies are often steeped in old, bad habits acquired over many years. These habitual, ineffective methods are what the organization knows and relies on to run the business. Unfortunately, many just don't know any other way. Management's real challenge is to make sure that the entire organization -- up, down and across -- develops a new mind-

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set from which it can leave the old, ineffective ways behind. Only then can the organization adopt new and better business processes to give the enterprise what it needs to be stronger and a better performer.

Certainly, there are a few companies who are showcase ERP users, but it is manifold more common to find executives very frustrated by the experience. With all the lackluster results, one would have to wonder -- is there something wrong with the underlying premise? Not really. However, one of the primary reasons for ERP systems to deliver less than expected is that ERP is approached with information technology being the newly acquired "core competency" that will improve overall business performance. By itself, ERP information technology should be viewed as only support for what needs to be done with better business processes.

Demand and Supply

Realistic, balanced demand and supply schedules are absolute necessities and a primary objective of ERP. Yet, it is still commonplace to find manufacturing and the entire supply chain in a state of chaos, regardless of the information technology in use.

Many companies are just not willing to spend the time, effort and money to plow through the complexities of configuring an ERP system to company specific processes. As a result, process templates, that supposedly reflect best practices have become very popular to accelerate the implementation of ERP systems. Templates are faster and easier, but the downside is that generalized pre-configurations (templates) result in a standard system - - just like anyone can have - - which limits the competitive advantage and performance gains that could have been realized. If an ERP system has a predetermined order-to-delivery process that does not reflect what your

company should be doing then the system may be too much of a compromise.

When implementing a new ERP system, it is likely that some degree of conformance to predetermined process logic will be required. Adapting to predetermined order-to-delivery process logic to minor degrees poses much less risk than the wholesale adoption of somebody else's process logic that may not fit the best "should be" process for your company's business. Certainly, ERP systems have a series of inherent design trade-offs incorporated into predetermined order-to-delivery process logic. Even when the ERP system is configurable trade-offs still exist. It is up to management (not IT) to evaluate the business implications of these trade-offs to determine the importance of their impact on strategic achievement and day-to-day operating results.

Before You Leap

Take the time (not a lot) to evaluate your ERP plan before you commit to software acquisition and installation. Doing it right the first time is the only way to go. There are many people out there who wish they had taken a brief pause to evaluate their direction. The following questions do not cover every possible contingency. They should be used to stimulate thought, and discussion and the right action.

1. How do we want to run our business?
2. What business problems need to be solved?
3. Do we know and understand our priorities?
4. Do we fully understand our "as-is" condition versus our "could-be" process?
5. Have we carefully defined an action plan for pre-implementation preparation activities?

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6. What tasks will be accomplished and when?
7. What are the “missing links” in our software of choice?
8. What are the real costs, benefits and timetable going to be?
9. Do you have an executive level ERP champion that provides the necessary link to top management?
10. Who will implement ERP and make it work?

It's No Quick Fix

For companies who have long struggled with fragmented illogical systems it is easy to view the new generation of ERP systems as quick fix, silver bullet solutions to alleviate the chaos. The unrealistic thinking that the information technology will some way, somehow make the problems, that have raised havoc for years, miraculously disappear can only be changed by gaining a true understanding of what ERP is all about. This understanding is much better learned sooner rather than later to avoid very expensive lessons.

The critical up-front work on pre-implementation preparation can make or break the success of an ERP implementation. In spite of the many lessons learned during the MRPII era, implementation prerequisites are too often ignored. The emphasis needs to be put on the right issues - - especially the foundational prerequisites (see last month's column for details). Without taking care of the prerequisites during the pre-implementation preparation phase, the software is at least crippled if not rendered outright useless as a result.

A paraphrase drawn from the words of Machiavelli, “There is nothing more dangerous nor doubtful of success than the implementation of a new system” seems fitting. While it's

doubtful he was in the ERP implementation business, at least as we know it today, he seemingly had a Nostrodamus-like perception of what ERP implementation would be like.

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