

Strategy and Preparation Are Critical Success Factors

by R. Michael Donovan

There is a lot of pressure on manufacturers to increase profit, decrease cycle times, improve service and reduce inventories. Streamlining the flow and increasing the speed of information and material through your entire supply chain using industry-specific best practices that help optimize your business performance is a very alluring concept. The very idea of having an industry-leading lean supply chain that gives you a competitive advantage in speed, cost, customer service and lower inventories is something that cannot be easily dismissed. In fact, it can be so compelling that organizations jump in, often headfirst, without seeing the rocks in water. The entry-level costs of adopting information technology for supply chain management are falling, but the cost of mistakes can be much higher, especially in terms of lost opportunities.

Old habits die hard

Accurate, fast information flow for a manufacturing company is almost always a serious problem, but just installing ERP software won't fix flawed strategy, fundamental business process problems, inappropriate performance objectives and incorrect performance metrics. Only redesigning your business processes to an appropriate strategy will allow you to alleviate these problems.

Companies are often steeped in old, bad habits acquired over many years, however. These entrenched, ineffective methods are what the organization knows and relies on to run its business. The fact is, many in the organization just don't know any other way. One of the biggest barriers to successful ERP implementation are the old ineffective business processes and policies and the measurements that reinforce undesirable behavior. These constraints, which are often many, need to be broken by top management. This means it's essential to evolve your strategy and embed the values and beliefs in your organization that will get the response necessary to achieve your strategy. This is, of course, a very difficult process, but it is essential if you expect to get results. And, like every other top priority initiative, it all starts in the corner office.

The big buzzwords used to be things like, "integrated" and "networked". Now it's words like "supply chain", "seamless", "lean", "flow", "optimization", "e-commerce", "data warehousing", "collaborative", "industry templates", "best practices", "knowledge-based" and even "Internet-enabled". None of these are bad, but executives need to be careful about how they're applied. None of this stuff drops in place without substantial planning, skills, time and effort.

Performance Improvement

The important work to achieve the benefits of these technologies lies in preparing for their use. Implementing ERP is like constructing a building. You can't start off by putting a brick in mid air. First, you need to lay a solid foundation. Then, as quickly as the process will allow, you need to carefully place and secure the bricks on the foundation. Preparation can make or break the success of an ERP implementation. Despite lessons learned during the MRPII era, implementation prerequisites are too often ignored. The right issues must be emphasized - especially the prerequisites (see my July/August 1998 Midrange Enterprise column for details). Without taking care of the prerequisites during the pre-implementation preparation phase, the software is at best crippled, at worst useless.

Common reasons ERP implementations fail can be summed up in three general categories:

- Inaccurate data records, sales and operations planning problems and poor master scheduling are widely prevalent causes for poor ERP system performance.
- Poorly educated and trained users are another reason for failure. People must know the who, what, how, when and why to make ERP effective.
- A management that believes that just applying ERP information technology will correct fundamental flaws in underlying business processes is another frequent cause of failure.

If your company does not perform important pre-implementation tasks such as designing the

process you need, cleaning up data files and educating people, you can expect the problems you had with your old system to be with you in the new one. The same old way, if it's not right, will get you the same old poor result.

Implemented improperly, ERP may lead to poor ROI, lots of controversy, rampant politics and, in the worst case, even a lawsuit or two. When ERP is not implemented correctly, the results can be painful, costly and embarrassing.

Your strategy is your future

Some organizations have put a lot of effort up-front in a process to define and plan the type of manufacturing strategy they are going to employ in their supply chain. For example, many manufacturing environments that currently operate in discrete batch modes can be redesigned to operate with demand-based flow manufacturing strategies that cut cycle times and inventories very dramatically, improve service and make operations very predictable. There are a lot of implications in choosing your ERP software; it may or may not support a synchronized flow environment very well. If the strategy is wrong, the result can be a major competitive disadvantage.

An expensive mistake in software selection and one that's difficult to recover from, is acquiring software that cannot support the type of manufacturing strategy you want to follow or transition to in the future. ERP software, as flexible as it has become, can, through its operating logic, impose fixed business process functionality that cannot effectively support your strategy. Misalignment of your business, manufacturing and supply chain strategies guarantees mediocre results and poor ROI.

Performance Improvement

Managers must address a number of issues up front in the supply chain redesign and ERP evaluation process that center on questions such as:

- How can we create and maintain a competitive advantage?
- How much can we sell?
- How much market share can we get?
- What will our costs be?
- What cycle time will make us the industry leader?
- How much can we reduce our working capital?
- How can we achieve industry-leading customer service?
- How much more profit can we make?

Of course, there are many more questions that must be answered, but ultimately what really matters is that a company gets the results that it planned for at the inception of the project.

Area-by-area performance improvement expectations must be precisely defined. Constantly evaluate your strategy, objectives, plan, measurement and progress, and be very clear on what your expectations are. This will help you achieve a faster and better ERP implementation that supports your strategy.

ERP as a technological quick fix - the silver bullet for competitive manufacturing - although enticing, just does not exist. In fact, deploying a lot of information technology to fix fundamental business strategy and process flaws will likely only mask the flaws, cost you more money and delay getting the results you need.

Acquiring and installing new ERP software is not the real test. First, management needs to develop a strategy for how the business should and will be run. Then, the most difficult challenge for management is to make sure that the entire organization - up, down and across - develops a new mindset and leaves the old, ineffective ways behind. Only then can the organization adopt new and better business processes and couple those with ERP to give the enterprise a strategic, sustainable competitive advantage. After all, this is what it is all about.♦

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