
The Six Deadly ERP Sins

Summary:

This white paper is a collection of observations by Manoeuvre based on our experience in the field of Enterprise Resource Planning (ERP) system implementations. The target audience includes senior executives, project sponsors & project management.

This document summarises the most common mistakes made during ERP projects and provides strategies to help clients avoid these extremely costly pitfalls.

It is general in nature and does not represent advice for any organisation's particular situation.

Sin 1: Not understanding the true significance of what you have taken on

- Given that you have decided to implement an ERP system, this is probably the last time you will *replace* your major business systems. Any future changes are likely to be upgrades or enhancements to the chosen platform. The basic platform and design will remain stable.
- Investing in an ERP solution is a major commitment – think of it as the partial delegation of your IT strategy to the software vendor. You will be both restricted and enabled by the future direction defined for the product. It is therefore important that you choose the right package for your organisation. You should obviously consider aspects other than cost and functionality when making your choice – the vision and viability of the software vendor are as relevant as the package's current capabilities.
- ERP implementation projects are typically vast and complex. The project is likely to affect every aspect of your business and every person in your organisation. Equally, in order to derive the most benefit from the project everything in your organisation should be open to scrutiny.
- These are business projects **not** IT projects and therefore require strong business sponsorship **and** ownership. Many ERP projects are not successful because they are perceived as IT initiatives and therefore fail to gain the business support necessary to guarantee success.
- Don't underestimate the scale & impact of the project and give it your full attention. Many projects suffer due to conflicting parallel initiatives within the organisation. Prioritise and coordinate initiatives to ensure that the ERP project is not adversely impacted.

Sin 2: Not committing the right resources to the project

- Many ERP projects run into difficulty because the wrong people are allocated from the organisation. Project staff must have adequate knowledge about the business, but should also be creative and capable of challenging the status quo where necessary.
- Project & Team Management need to command respect within the organisation so that their decisions are trusted. The team members must be empowered to make key business decisions, and equally, the Steering Committee must have enough faith to let them do this without tight supervision.
- An ERP project is an excellent opportunity to reshape and streamline your business. You will probably only get one chance to get it right. We would therefore recommend that you allocate the **best** people from the organisation to the project. If their involvement in the project doesn't hurt the organisation in some way, then you've probably chosen the wrong people for the project team.
- Selected project staff should be in no doubt of the importance of their role and must be given a clear vision of their future importance to the organisation. The selection of project staff should be sanctioned at Steering Committee level, ensuring that the best and brightest people from the organisation are allocated. Resistance from senior management can be expected, but must be overcome in the interests of the project.
- Below sponsor level, any resource involvement should be of a full-time nature. Do not ask or expect people to continue their normal organisational roles as well. Back-fill their position with new suitably skilled resources to ensure that project work is not interrupted.
- Involvement in this sort of project typically expands the horizons and capabilities of each and every team member. Most team members develop a broad and deep understanding of many business processes. Their value to the company (and other organisations) will therefore be greatly enhanced by their project participation.
- Experience shows that appropriate strategies need to be considered to motivate and retain these team members. This may be in conflict with your current HR policies, but we would recommend that flexibility is essential in these matters.

Sin 3: Not managing the change effectively

- Many organisations underestimate the impact that their ERP project will have on people, roles, required skills and the organisational structure as a whole.
- Successful Change Management is one of the most important factors in determining the success of ERP projects, but it is rarely carried out effectively. Many organisations seem to be uncomfortable with the soft, psychological nature of Change Management and therefore do not give it the support it requires.
- In simple terms, effective Change Management ensures that your organisation and personnel are ready, willing and able to embrace the new business processes and systems. Staff will typically resist change unless given a good reason not to... In order to avoid this, various strategies need to be employed to both communicate and influence.
- Blanket approaches to communication are ineffective and tactics need to be varied according to people's level of influence and ability to impact.
- The most successful communication strategies are underpinned by a network of project representatives throughout the organisation. These people act as 2-way information conduits, helping to distribute project communication material, but also providing valuable frank feedback to the project team on any trouble spots.
- While good consulting support is invaluable, the leaders of the Change Management effort need to be well respected individuals with healthy personal networks within the organisation. They need to be trusted at all levels of the organisation. In addition to a dedicated Change Management team, the Project Director will typically also play a significant part in the Change Management effort.
- User Training forms an important part of the Change Management initiative. Rather than provide simple transactional system training, the organisation should strive to train people in a wider sense. Training should explain the business objectives of the project and explain the new business processes, people's new roles and all aspects of the system. Training sessions also provide a valuable opportunity to communicate and influence personnel to increase acceptance of the delivered solution.

Sin 4: Not managing benefits

- Most ERP implementation projects are founded on detailed business cases which are frequently thoroughly researched and reviewed. However, in our experience, these documents rarely see the light of day after the capital expenditure approval.
- Most project managers report in great detail on the cost & time parameters of the project, but very few actively report on benefits attainment. A project may be brought in on time and on budget, but in our view, if benefit delivery is not actively managed this means very little.
- We would recommend that the business case is treated as a living document and used as an effective project management tool. Scope management needs to incorporate the effect on benefits as well as the effect on cost & time. The business case document needs to be re-evaluated at major milestones in the project, restating the expected benefits as well as the expected costs.
- Changes in the organisation or environmental factors may affect the attainability of promised benefits (positively or negatively). For this reason, business case documents need to contain more detailed analysis information if they are to be useful. For each major category of benefit we need to clearly identify both the ownership and the key factors that may impact the delivery of that benefit.
- The business case should form the foundation for a detailed benefit delivery plan, where ownership and timescales are clearly defined. This plan also needs to be re-visited at key stages of the project. In addition it needs to be managed and tracked at the end of the project to ensure that the benefits are delivered.

Sin 5: Not embracing integration

- Many organisations resist the level of integration delivered and encouraged by ERP systems and attempt to retain the existing organisational structure. In addition functional departments are retained and senior management roles remain unchanged.
- However, integration will challenge the boundaries between traditional functional departments and will place information directly at the fingertips of operational staff, thereby reducing the reliance on administration support staff.
- Integration may also challenge existing power bases and change the nature of some senior roles within the organisation.
- We would recommend that you consider significant changes to your organisation structure and management roles in order to extract the maximum benefits from the new system.
- Roles may need to be redefined along process lines, giving key individuals responsibility for end to end business processes. e.g. one person may need to be responsible for all aspects of the Purchase to Payment process. This may redefine the roles of purchasing managers, inventory managers, and the accounts payable department.

Sin 6: Not planning for the end of the project before you start

- Many organisations fail to consider the long term implications of introducing an ERP system until the end of the project and thereby degrade the outcome of the project.
- If certain aspects are considered in advance, it can help enhance the clarity for the project team and can maximise the benefits obtained from the project.
- Organisations need to consider how they will support their new system in the long term. Which aspects will be outsourced (if any) and what capabilities will be required in-house to maximise the return on the original investment.
- Internal support organisations can become a key strategic facilitator for the organisation. Building internal centres of expertise such as this can also help to dramatically reduce consulting costs in the future. If this sort of support organisation is incorporated into the project's vision, then the project management can start to position individuals for these key roles as the project progresses.
- Other project staff may return to their old roles within the organisation, or may be suitable for other challenges. It will help the project greatly if there is a clear plan for this transition back into the organisation. If people's future situations are not clearly defined, then this will become a major source of distraction at a crucial stage of the project.
- Above all, organisations need to realise that the original implementation project is simply a springboard and that longer term the organisation needs to embrace a continuous improvement mindset. Transitioning from "project mode" into this structured improvement phase is a major problem for some organisations and requires a great deal of planning.

More information about Manoeuvre and its services can be found at www.manoevvre.com.au

We would be more than happy to discuss any of the "Six Deadly Sins" in more detail and to provide you and your organisation with targeted advice.

Also, if you think you've discovered the 7th Deadly Sin, we can probably help you...