Improve your ERP-projects!

4 provocative columns
about contracting ERP-systems

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Guus Krabbenborg (1961) has been active in the world of ERP and CRM for over 20 years, out of which he was an entrepreneur for more than 15 years. He started at Philips, where he held different sales and management positions. After the takeover of Philips' IT-division by Digital Equipment (DEC) he was involved in a management buy-out. For the consecutive 5 years he was co-owner of DBS Business solutions. After his departure from DBS he worked as Commercial Director at Navision Software The Netherlands. Since 2000 Guus has been working as an independent advisor and trainer in TerDege Consultancy. TerDege is an independent enterprise for advising, training and interim management, which is aimed specifically at the national and international market for CRM and ERP software. Furthermore, TerDege is presenter and publicist for the ERP industry. TerDege publishes, amongst other things, TerDege's Newsletter and is a columnist for the business journal Logistiek.

Foreword

Traditionally, the implementation of ERP[1] systems is regarded as a technical affair. With the IT department as the engine of the project and a focus on technology.

Partly because of the standardisation and improved quality of hardware and software, technology is becoming a more and more stable factor. Along with this development, the causes of failure have also shifted from more technological to more human aspects. These human factors prove to be prominent in making the difference between success or failure!

In the past 15 to 20 years, providers and buyers of company software have gained a lot of experience in introducing new systems. And yet more than 75% of all implementations is not delivered within the set limits in terms of time, quality and financial means! To a great extent, this can be blamed on the purely technical approach that is often adopted.

This booklet contains a series of columns presenting practical solutions for common problems on a personal and management level when selecting, contracting, implementing and using ERP and CRM systems. The columns were published in 2006 at www.logistiek.nl. They are written – something that is quite special in the IT sector! – in a language that anyone can understand.

I sincerely hope that these columns inspire you and help you to belong to the successful 25% of implementations!

Guus Krabbenborg
TerDege

ERP[1] Enterprise Resource Planning

Amnesia

*Amongst users of business software a strange phenomenon can be observed. As soon as the magic word
'discount' is mentioned during negotiations, these companies suddenly forget all previously learned lessons.
This remarkable form of amnesia often leads to disastrous consequences.*

Companies who replace their software system are committing an exemplary form of capital destruction. I have already argued this before. Yet, every year there are still companies who – be it forced by necessity or no – decide to take this step. The reasons for this are diverse and vary from bankruptcy of the provider and decreasing maintenance of the system to a completely failed implementation.

As far as the causes are within the sphere of influence of the organisation, these companies obviously decide firmly never to fall into the same trap again. But, as you have guessed… in practice this resolution is often broken. Because as soon as there are discounts to profit from, the amnesia strikes devastatingly.

Was the limited knowledge of the consultants the cause of problems? For discount, a customer is often prepared to allow inexperienced consultants to run the project. Can we decrease the budget by cancelling the documentation for the customisation again? Let's go for it! The enormous importance of continuity? A little extra discount also erases this important lesson from memory. And, like last time, let's recruit an intern for the project management including the change management. It saves us the cost of another expensive employee!

According to Dutch idiom, even a donkey manages to avoid bumping into the same stone twice. How about you? Do you also tend to forget previously learned lessons? Write them on large sheets of paper and put them on your wall. This decreases the chance you will overlook them again for the next system selection.

Better short than discount

Companies that buy ERP-systems make more money on a short implementation period compared to large discounts on implementation services. Nevertheless, a lot of companies still concentrate on getting their discounts! So, time for a change!

During an ERP-implementation companies have to deal with extra costs. Key-users are (partly) taken out of their function. As a result you're core processes are under pressure. And you have to hire extra capacity in order to continue the regular work. By that, there is double costs of maintenance and system management on both hard- and software for the old and the new system. And finally the absence due to illness because of the stress is higher than normally.

You thus would expect companies to do their utmost to keep this period as short as possible. But that's not what happens! When the implementation runs, speed has no priority at all. Even worse, the operational use of the new system is postponed for months without hesitation. Or lifted over the holiday periods. Meanwhile the double cost goes on!

ERP-suppliers can help you shorten your implementation period. So that you get a sooner return on your investment. But therefor you need a different attitude in the negotiations! Don't ask for discounts on services, because than you'll get junior consultants. Where there is a quick return on the higher fees of senior consultants as they can prevent a delay in the start of the operational use. Ask your vendor not to pay your discounts in cash but in extra consultancy days. It will give your project a quality impulse! And offer your supplier an extra fee for every week the implementation is finished ahead of the planning.

The purchase of implementation services is not about the lowest price. It's about the impact on the length of the implementation period. And remember, the irritation on the long implementation period goes on and on as you've already forgotten about the pleasure of the low price!

The standard for system selections

All demonstrations have been attended. The offers of the other providers have been received and analysed. The project board has just finished the meeting in which, according to planning, the final decision should have been made. Unfortunately, the board members could not reach an agreement…

This is a situation that occurs in many companies. In order not to suffer from delay, the system choice has to be made, but a common reference frame to reach a decision is lacking. Delaying the decision soon becomes an attractive option. Even though everybody realises that this does not only shift the problem forward, but also increases the time pressure for implementation.
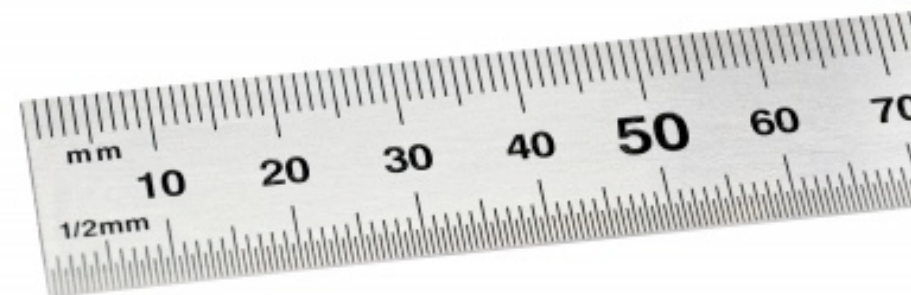
If you do not determine the criteria for your choice beforehand, you are lacking the tools to reach a well grounded decision. You are creating space for more subjective criteria. And you are creating openings for providers who, out of necessity, might stunt with their prices. Which has as a result that, in the end, price again becomes the dominant determining factor.

In practice, many companies focus on functionality when making their choice. Even though often they already realise during implementation that the quality of the consultants, the experience of the project leader and an

adequate procedure are just as important. In the middle-long term, things like scale size, financial health and growth also prove to be relevant aspects.

The functionality of your future ERP system is very important, of course, but essentially it is only one of the relevant criteria for your choice. Which other criteria are important you yourself should know best. Though aspects like experience in your sector, the degree of continuity, the quality offered and the annual total cost of ownership always seem eligible for a position on your checklist.

By carefully defining a standard for your system choice during the preparation stage already, you will be able to make your decision guided exclusively by relevant aspects. There is a good chance that this will allow you to choose earlier and will, in the end, lead to a better solution.

Customisation as a lubricant

A substantial part of all customisation concerning ERP systems is not used anymore recently after the system has been implemented. Instead of developing customisation for indispensable yet absent functionality, customisation is often employed as a kind of lubricant to smoothen the transition from old to new. This phenomenon is very costly for a company and puts pressure on the ROI of the project right from the start.

People, by nature, are not fond of change. This partly explains, for example, the effort it takes to carry out reorganisations. A new ERP system, too, evokes resistance. You will be familiar with people saying things like: "Yes, but in our current system…" Or: "But what we are used to right now is…"

Sometimes users are crystal clear: They indicate not to accept a new system. More often, however, the resistance is more subtle, but with costly consequences. It is then up to the management to take an active stance, which is not always adequately adopted. In the end, customisation is used to try to accommodate the users. By making the new system look like the old one as much as possible. As if the users back then didn't have to get used to that system! By way of comparison: An expensive new car is bought, but the engine of the old vehicle is inserted, which will still not allow the new purchase to exceed 40 miles an hour.

After the users have got used to operate the new system this customisation soon becomes obsolete. Often, however, maintenance money is still transferred obediently for ages. And if the topic of migration to a new version comes up, all this customisation proves to be the cause of many problems. Not very convenient!

In short, customisation with regard to ERP systems can be divided in two groups: Previously absent functions that are of vital importance to a company and therefore most certainly will be worth the investment. And functions that are only intended to ease the transfer. If you keep a close eye on the latter category, this will become a first victory of your new ERP system!