Improve your ERP-projects!

6 provocative columns about implementing 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

Open heart surgery

Would you choose the hospital around the corner for an open heart surgery? It is conveniently close! And would you go for the provider with the lowest price? Of course, a polyclinical intervention saves the cost of staying the night! And you probably wouldn't mind if your surgeon is an assistant in training, right?

An ERP implementation can be compared well with an open heart surgery. Medical science has already advanced so far that these complex operations can be performed very well. Which, however, does not mean that every surgeon has the necessary skills. During the operation the heart has to keep on beating and the intervention has to succeed at the first attempt. There are no second chances!

Nowadays, implementations can also be carried out well. But this does not mean that every provider of ERP or CRM software is also capable in this respect! During the implementation the processes within your company have to keep on running. And only few companies can afford a second implementation.

The success or failure of a ERP- or CRM-project is closely connected to the implementation. And the reckless manner in which companies treat this process is remarkable. Many companies 'forget' the importance of quality as soon as discounts are to be gained. Accept any consultant as long as their fees are low enough. And without hesitation leave the customisation

undocumented. Whether this is smart? As the English say, very to the point: Penny wise, pound foolish.

Who has requirements for the quality of his implementation has to prepare thoroughly. Which provider has the highest success rates? Who has demonstrable experience? With the system, but also within your sector? Ask for the CV's of the people in the implementation team. And do not decide before you have spoken to the prospective project leader.

Quality in implementation does require an investment. But the joys of low costs fade into the background as the frustration of bad quality persists.

The importance of support

'The ideal project board consists of an uneven number of members smaller than two'. Triumphantly, the new group director looked around the meeting table. In this meeting, the basic agreements for the selection of the new ERP system would be made. Certainly he did not hesitate to display his preferences!

Support is a strange phenomenon with regard to ERP software. Everyone realises that a project runs risks if the end users are not cooperating. But why this would mean that more or less the whole company should be involved in each and every step of system selection is unclear to me. Half the company is bussed to the workshops. Which are based on big and detailed business cases, in which, after all, everyone wants to contribute their opinion. While everybody knows that the practice will already have changed once the system has been made operational.

"Having a say in something without insight leads to saying out things without an outlook", I recently read somewhere. Is it really useful to have all colleagues judge the logistic concept? To allow everyone to have a say in the determination of the new product coding?

After all, not everybody is consulted for selecting new furniture for the office or the new weekly menu or the canteen either, while these are things that concern people just as much as the new ERP system.

Of course, support is important. But there are more ways to create it. Give a name to the selection project. Organise a kick-off. Take care of a newsletter which is sent out regularly. Give the project team a fixed position in the building.

By devoting some attention to people, by keeping them informed and by explaining the important choices well, support also emerges. But with less meetings, shorter discussions and a smaller loss of productivity. Which can already be considered to be the first yield of the new system!

Wanted: Management

The choice for a new ERP system is one of the most critical decisions that a manager can make. After all, this choice commits a company and its employees to work in a particular way for a long time. And yet, it's the managers that are one of the main causes of failed ERP projects. Not as much for what they do, but rather for what they don't. Therefore, wanted: management!

Implementing an ERP system is more than just providing some products and services. Who has furniture delivered checks whether the number of items corresponds with what has been ordered. And possibly checks for imperfections. Done. For an implementation, however, matters are quite a bit more complicated.

Of course it is also the case for ERP that you want to check whether you have received all modules and user rights that have been ordered. But that is only the beginning. Because implementations are about change. Changing processes, working methods and cooperation. Many people have a resistance towards changes. One fears for losing his position. The other is afraid to lose power because information has to be shared. And a third is afraid that his achievements will be under closer scrutiny.

And this is exactly where the management comes in. In providing information. About why a new system is necessary. About why the working methods need to be changed. About what will be the interest of the individual employee with regard to this process. In taking decisions. About dividing attention between implementation and 'this one very important customer'. And in motivating. If some are losing their courage. Or the overview.

Many managers think that signing the purchase contract is about as much as they need to contribute. This is a mistaken notion! Ladies and gentlemen managers; For the kick-off of your next ERP project I therefore invite you to once again old-fashionedly step onto the soapbox!

Implementing is teamwork!

Provider and customer have to carry out the implementation of an ERP system together. After all, neither of them can do the job alone. Nevertheless the attention to the quality and experience of both parties is not balanced. With all the predictable consequences. It seems about time to adopt a different perspective.

Companies are often suspicious of their ERP provider. They are critical about the quality of the consultants, the experience of the project leader and the functioning of the helpdesk. Which is justified, because the quality and experience of the provider are critical factors for the implementation.

But this is only one side of the story. Can this way of reasoning not also be applied to the customer? What if the customer provides insufficient quality and experience? What if the internal project leader is a beginner? What if one of the future core users is against the new system? This is asking for trouble!

Companies demand good consultants and want to meet the project leader before the order is final. But on the other hand, it is also very sensible that the provider sets requirements for the key users. Like conceptual thinking, support in the department and a generally positive attitude with regard to the new system. Aspects that are easy to capture in a profile description. And that can be tested beforehand.

What if this quality is not available, I hear you think? Then there are two options. Not implementing or recruiting external people who do possess the necessary skills. And yes, this may cost you, but not as much as a failed project. If we really want to get rid of all those mediocre ERP implementations we also have to dare to acknowledge this aspect.

Only if provider and costumer provide sufficient quality, experience and effort an ERP implementation can be successful. Provider and customer have to carry out the implementation of an ERP package together, after all.

Guiding expectations

Expectations play a large role in ERP projects. Satisfaction or disappointment about the process and the results, after all, emerges when there is a discrepancy between reality and expectation. Enough reason to manage expectations actively!

Halfway every ERP project, a substantial transformation takes place. After signing the contracts there is a massive change of people who are directly involved. On the side of the customer the selection committee leaves the process to the internal project leader and the key users. And on the side of the provider, pre-sales consultants, sales employees and management leave matters to the implementation team.

Now the interesting question is what the newly arrived persons know about the pre-sales trajectory. Because that is where expectations have been discussed at length and in detail. About the possibilities, but also the limitations of the system. About the implementation tasks for the provider. But also about the tasks that should be carried out by the customer. About the required attitude of both organisations. About the time span. And about the extent to which customisation is desired.

In my view, during many ERP projects it is assumed without thinking that the new people will understand or have a feeling about what has been agreed on in the pre-sales trajectory. But, as you may already have inferred… without briefing or direction people are just doing their own thing. They bring in their own ideas and expectations, which may clash with the previously defined points of reference. Frustration and not being understood is the consequence. In this kind of processes valuable time and energy are lost!

The solution is to be found in a proper kick-off. Where all those involved in the pre-sales trajectory gather together with all those involved who will actually carry out the project. And where issues like scope, task division, time span, effort and where to resort to customisation are prominent points on the agenda.

A kick-off like this requires time. But you will earn it back quickly. More than once! By pro-actively guiding expectations you are preventing a lot of trouble later on in the project.
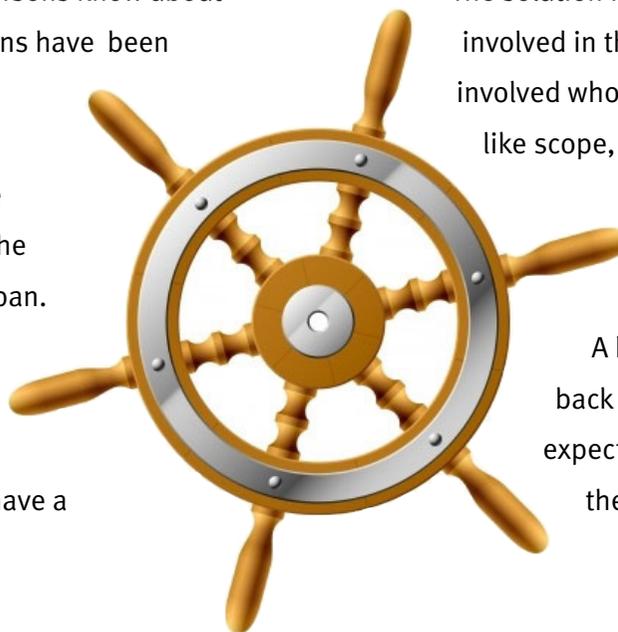
ERP implementation: who does what?

Many misunderstandings and conflicts concerning the implementation of ERP systems can be traced back to unclarities about the division of tasks. Who does what? Miraculously, both purchasers and providers persist in not providing this clarity.

An implementation implies several costs, such as licences, maintenance, services and hardware. In practice, it is becoming increasingly easier to determine the value of licences and maintenance. This also goes for the hardware, where, after all, a high degree of standardisation has been taking place.

Only the services are left. A crucial point here is that everyone has their own set of expectations with regard to this aspect. As a customer, you often compare to what you were used to with previous providers. And your provider uses his own usual approach as a frame of reference. And from this frame of reference, he composes his quotation. In this way, you are missing each others point!

For every implementation, there are activities that can be delegated to either the provider or the customer. Such as writing up a set of working instructions and training the end users. Of course, your provider can do this for you. But your trained key users can also excellently perform this task! In this respect, it is important to determine what you want in an early stage. Do you have the time and the capacity to do it yourself? Do your people have sufficient affinity for these tasks? Or do you prefer to focus on your core tasks?

Many providers describe the division of tasks in their project plan, but often this is only written up once the contract has been signed, or once the budget has already been determined. The challenge for both the provider and the customer is to address the task division before the budgets are determined and before expectations start taking shape. And this does certainly not serve the provider's interest only!

I advise you, therefore, to ask for clarity already in a preliminary stage. And no longer to accept quotations in which the chapter 'task division' is lacking. In this way, you are laying the foundations for a smooth procedure during your next ERP implementation.