Improve your ERP-projects!

4 provocative columns
about using 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

The true cost of knowledge

A logistics company recruiting drivers wants to receive only candidates that possess a driving licence for large vehicles. One who has to handle a complex machine needs to have had adequate education and experience. However, for dealing with customers – the most precious possession of a business – companies do not hesitate to employ people without sufficient knowledge of the ERP system. With predictable consequences…

That a proper use of ERP systems is of great importance to companies, by now, is a widely dispersed conviction. The financial results and even the future of companies are influenced by them. In this frame of reference, it is surprising how unprofessionally companies are still dealing with ERP-knowledge.

It goes without saying that the users of an ERP system primarily bring in their knowledge in areas like, for example, calculation or purchasing. However, the skills to employ especially this knowledge in the ERP system are becoming more and more important for specialists. Even the best purchaser cannot function without the system.

Knowledge has the tendency to get watered down. Take a new implementation. And imagine that the consultant of a provider knows it for 100% (...) and is able to transfer about 80%. In the end, around 60% of this knowledge is understood by the user, 40% is retained and only 20% is used.

You have already guessed who will introduce the new colleagues to the ERP-system: Exactly, the employee with 20% knowledge of the package. And not much is left if only 20% of the initial 20% ends up being used. Only 4% is left! New versions of the system further pressurise the yield of these first trainings. In the meantime, your management is worried about the low delivery reliability, the high failure costs and the low customer satisfaction…

Using your ERP-system well on the long term, therefore, is about training. At the time of the initial implementation, of course, but also when introducing new employees to the system. And after transitions to new versions. The continuous education and training of your employees with regard to your ERP system will certainly not be cheap. Economising on knowledge, however, will cost you even more dearly!
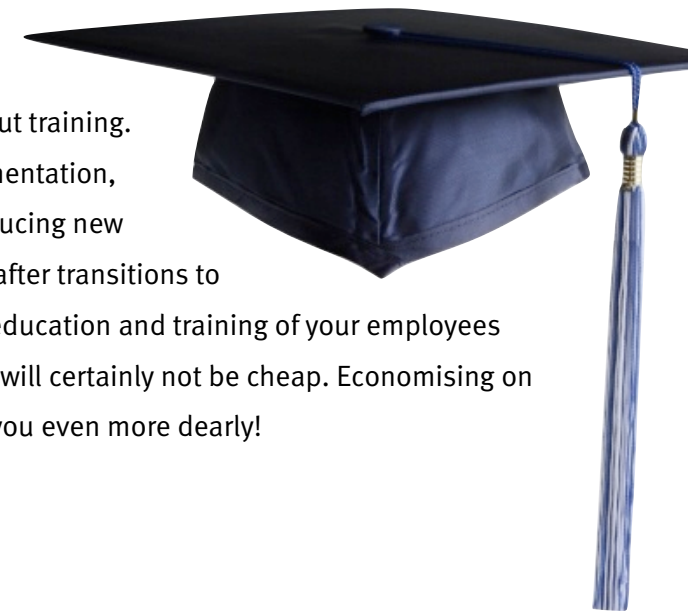
ERP-software: cost or investment?

Traditionally, ERP software is regarded as a cost. And though the conviction that the quality of available information influences the results of the company is spreading, cost-oriented thinking is still influencing companies greatly. Which is certainly not always beneficial!

Many companies are plainly unhappy with their current software. Too much complexity in usage, shortcomings in innovation and insufficient flexibility are widespread complaints. Forced by necessity, end users are taking refuge in Excel or Access, with all the predictable consequences. It is surprising that these companies still persist in keeping the system. "The investment has not yet been depreciated" proves to be a more important argument than a decreasing reliability of delivery, customer loss and increasing costs of failure. Often the cup of poison is emptied to the bottom before a better solution is sought.

For the choice of a new system, too, the element of cost still plays a substantial role. Without hesitation a provider is discarded on the basis of an initial price difference of 3%, even though he offers a 30% more advantageous prospect in terms of innovation and continuity.

Do you belong to this category of unhappy companies? In that case it is interesting to think back to the moment you chose for your current solution. Do you still remember which systems and providers were on your shortlist?

Imagine where you might have ended up with these solutions. Maybe you would conclude that with a different choice, today there would not be the necessity to replace. That there would be successive versions with a functionality that you now need urgently. That the other implementation partner did make good on his promise to invest actively in knowledge of your sector of business.

By no longer seeing software as a cost but rather as an investment you create another perspective on the problem of choosing. The yield of your new system, the number of years you will be able to use - and hence depreciate the system, and the possibility of growing to successive generations of the system suddenly become more important.

In this way, here is a good chance that you choose for a more effective solution!

Stand up for your ERP rights!

Access to the current data of the company has become crucially important. After all, the markets are hectic, the competition sly and the customers demanding. Nevertheless, many organisations only sparsely allow their employees to have access to information in the ERP system. And that is surprising!

Modern ERP systems are integrated, do not suffer from redundancy of data and can really provide that one version of the truth. You can – granted certain requirements are met – rely on the information from the system.

When determining the outline of a new ERP system the user rights, however, often end up with a low priority in the budget. Often, also, the number of user rights of the old system is taken over without scrutiny. What remains is the interesting question how employees who do not have direct access to the system are supposed to be informed. Through overviews on paper, you might object? As soon as you take the information from the printer it might already be outdated. Through own Excel or Access files? Same story.

The value of information decreases as time goes by, and outdated information can even become dangerous at a certain point.

Examples of this abound, and sometimes the consequences are disastrous. Incorrect combinations of medicines, amputating the wrong leg, demolishing the wrong building, a police raid at the wrong address. But also a production order that has to be remade because old specifications have been used, or driving piles in to the ground on the basis of drawing 2 while by now there is a version 3.

Many of these mistakes can be prevented by giving employees direct access to the actual information. And why would you not do this? Compared to the total cost of selecting, purchasing and implementing ERP systems the costs of extra user rights are small. While the consequences of using outdated information can be enormous. The mindset 'no user right, unless', by now, should be replaced by 'a user right for everybody, unless'.

Fast and slow companies

At school, I once learned that the world consists of big and small companies. The big companies ate the small ones more or less every seven years, only to split them off again in the next wave.

However, in the current economy, this pattern seems to have become outdated. Instead, today there are fast and slow companies. The fast companies win, while the slow companies can't keep up.

Many companies struggle with their information provision. And often this can be retraced to the IT architecture. Who uses many partial solutions will have to work hard and take a lot of time to get a complete picture of how the company is doing. But by the time this is done, in fact all you have is a glance into the past.

Amongst stock-quoted funds, for example, great differences can be observed with regard to the presentation of the annual results. Where one company has them ready within weeks, other companies take months. Sometimes this even results in signalling a lower prospective profit even after the financial year has already been closed! These are surprises to which the stock market is allergic. A dive in share price is the consequence. While investing in better provision of information often only costs a fraction of such a decrease in worth!

In your own company, it is interesting to observe how long it takes to get a monthly report. For companies with a well-organised integral system, this should take little effort. For companies with a high amount of isolated partial solutions, however, it will take a lot of time and energy. But what does the available information really mean if it means that on the 25th of May you see the 'current' status of your company at the 30th of April? You are doing nothing more than looking in the rear-view mirror. And who drives a car guided only by the rear-view mirror, soon ends up at the side of the road. Who manages his company in the same way will end up in a similar manner. Moreover, you will notice possible opportunities too late.

To which category does your company belong? If you are part of the 'slow' it is time to change your outlook. Because before you know it, you will be trampled by the faster competition.