WM | SYNERGY

Minimizing risk and maximizing your chances of success with ERP

(how to become one of the 26.2%)

73.8%

Not a statistic you want your company to be a part of. All ERP projects stand a better chance for success when objectives are clear, goals are defined, roles & responsibilities are communicated and business processes are aligned

The Wall Street Journal published an article stating that 73.8% of the manufacturing companies surveyed were not happy with their ERP system.

They were now stuck with a system that:

1. Cost too much to implement,

2. Took too long to implement, and

3. Didn't realize the benefits that were originally sold or promised by the ERP software vendor.

Are you one of the 73.8%?

Making sure your company isn't a statistic

Why such a high rate of dissatisfaction? What's going on out there? If you ask most companies, the top reasons for lack of successful ERP implementations vary, but generally fall into one of three categories:

Software related

- Software had too many "issues"
- Software didn't meet our unique needs or business processes
- Software support and/or training was weak from the software vendor
- Support is not good from the software vendor, documentation is non-existent as is the training

The ERP Service Provider

- Under quoted the amount of time it would take to fully implement the system for us
- Not well-trained in the software, and have little experience with this particular application
- They didn't understand our business requirements or how to apply the software to address our specific industry needs

Internal to the company

- Lack of commitment from the top: too much internal competition and conflicting priorities of the business

- Management sees it as a need, perhaps an IT project, but not as critical to the success of the business

- Culturally, silos of Information and walls between departments couldn't be broken down

- Lacked authorized change agents and/or project champions

- No clear definition of "success" regarding the ERP project. Other than "We're live, we're using it", no real performance metrics to gauge the ROI of the project

The process of selecting and implementing an ERP solution for your company is a huge undertaking. It's a very big investment, both in money for the software, training and consultants, and also a huge investment in people's time and energy.

You need to ask the right questions to set the right goals for ERP

Yes, the ERP software provider and the services group will show you the Implementation Project plan they've used at 100's of companies to get them live. Yes, the same plan that landed 73.8% of them in the "unhappy with my ERP" column.

It needs to be your plan. What it means for the project to be successful needs to be clearly spelled out by you and for you.

And you have to set your sights for project success higher than just "being live with the software".

What were the business drivers that originally got the company looking for ERP software? How does the "after ERP" image look in your mind, other than just better, easier access to information? How will it make a difference to your customers?

So many companies simply "hope" for success. You can plan for success.

How does your company score?

Price   Delivery   Quality

Here's the paradox:

In order to get the best results from ERP, you have to stop focusing on ERP. What's clear in most of the reasons for failure above, is that there is altogether too much focus on the ERP software. No wonder there is so much disappointment, unfulfilled expectations, and failure — software is just a tool. It's just bits and bytes on a hard drive. It's like expecting a hammer to build the perfect house for you. The tool is just an enabler, we need to put more of the responsibility on the architect to create the design to match our wants and needs and the contractors to deliver to those specifications on the design.

So the first and most important step in creating the plan for a successful ERP implementation is to make sure that top management views it as a Business Performance Improvement Project, and that it is fully and completely aligned with their vision and strategy for the company.

Ok, you ask, how do we get our "Business Performance Improvement Project" started on the right foot? In order to lay down a solid foundation, ask a few simple, but very powerful questions:

The right questions

"Why" is it important to change now?

Your answers and reasons for "Why" may be obvious, or you may need to do some brainstorming. A SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis can often be a good place to start. Here are some sample "Why"'s:

- Our Stockholders are demanding better returns.

- We're in danger of losing our biggest or best customer(s).

- There are market-share growth opportunities we're not currently able to take advantage of.

"What" must improve & what will it mean to our business?

What do we want to have that we don't today, or what do we want to be able to do that we can't today (your Project Objectives)? And how will that impact our business in a measurable way (your Project Goals)?

Here are some typical project objectives:

- High integrity data source to manage the business

- Easy to access, readily available decision making data

- Streamlined processes to allow for revenue growth without increased expense

- Improve the predictability and execution of production schedules

- Bench mark quality costs (rework, scrap & warranty)

- Improve Customer satisfaction

- Better returns for our stockholders

- Grow Market share

Here are some typical project goals expressed as specific Business Metrics:

- Quoting process time reduced by 30%

- Order to cash lead time reduced by 25%

- Product lead time reduced by 30%

- On time delivery increased by 30%

- Inventory turns increased by 25%

Getting it right

Answering these simple, yet powerful questions will set in place a clear understanding of why the organization needs to change and what exactly must change. With the objectives and goals of the project known, they can now be communicated to the entire organization.

But before writing that email to the world, or holding a company-wide conference call or meeting, it's important at this point to regroup and verify the C-level commitment to these changes. The hardest part of any business performance improvement project is getting people to change. It can't be faked. Management from the BOD on down have to be fully committed to making it happen. It can't just be nice if it happens, it must happen.

Now that the top levels of the organization are fully vested, we can take one step further and ask "Who" in the organization is going to be given the authority to facilitate the changes and be responsible for the planning and execution of the Business Performance Improvement project?

"SYNERGY RESOURCES REALLY STANDS OUT IN THEIR QUALITY, ATTENTIVENESS, AND COMPETENCE. NO OTHER ERP VENDOR THAT I CONTACTED HAS SPENT THE TIME AND EFFORT WITH US THAT SYNERGY DID, AND DELIVERED BOTH STRATEGIC BUSINESS CONSULTING AND AN IMPLEMENTATION PLAN THAT ADDRESSES ALL OF OUR CONCERNS. AS A MANUFACTURER THAT IS LOOKING TO GROW SIGNIFICANTLY IN THE NEXT FIVE YEARS, I BELIEVE THAT SYNERGY RESOURCES WILL BE A VALUABLE STRATEGIC PARTNER."

ELIZABETH KEEFE
DIRECTOR OF OPERATIONS
HOWARD GLASS

Insights and ideas that are driving industry *forward*

For companies that are serious about improving business performance and with the resolve to take the necessary action, Synergy's Strategic Business Services team offers a hands-on approach to sustainable performance improvement.

"Who" will execute?

It's a Team Effort

It is very important to remember when asking the question "WHO?", that the core team must be a cross-departmental team and that it is understood by all that their participation in the project is a business priority.

"Silo syndrome" can plague any type of organization; from small businesses to international manufacturing companies. They are a reality and contribute heavily to the inefficiencies of the organization as well as the frustration of its employees. Both of which contribute to higher costs and lower quality.

Silos are described as groups or departments within an organization that work in a vacuum with little functional access to other groups, or limited communication with them. Where silos exist, eliminating this syndrome may take some time, but it is possible by implementing a few simple changes that encourage cross-departmental cooperation during the ERP implementation that you can encourage and improve both cross-departmental team work and communication.

As long as the C-Level Executive team has adequately communicated their commitment to the project's objectives and goals, the core team is typically quite receptive to working together to make this happen. As long as everyone is open to seeing things as they are, and questioning whether current processes and activities are contributing to the overall success of the organization, then the next step in HOW helps facilitate breaking down even the sturdiest silos.

The HOW becomes a collective effort between your ERP provider and your cross-departmental core team members. But like all large projects, it must begin with a blueprint.

"How" will we achieve the stated objectives & how will we measure success?

Business Process Mapping - Create a Visual Blueprint of the Desired State.

Most companies want to "jump-right-in" to the software and implementation phase on day one. This is likely to be the first mistake in an ERP implementation or optimization project. Business processes are the most effective way to manage an organization at any level and to support the organizations overall goals and objectives. By improving processes, a business or organization can improve internal efficiencies, effectiveness, adaptability and customer service levels.

Your ERP solution provider simply must have skilled facilitators, knowledgeable in the various improvement techniques of Lean,

Six Sigma and TOC (theory of constraints) to lead the BPM (Business Process Mapping) exercise or you will inevitably increase the risk that your ERP system will not be aligned with the business needs, will be highly underutilized and will fail to deliver the expected business benefits.

Effectively orchestrated, process mapping improves everyone's understanding of processes and, in essence, boosts the teams understanding of business operations and the operations performance. Process maps outline the important characteristics of a process, allowing you to generate useful analytical data in order to derive findings, draw conclusions and formulate recommendations.

Furthermore, process mapping sessions allow you to systematically ask many important probing questions that lead to developing a clear view of the business performance improvement opportunities.

Process mapping also contributes to a positive and somewhat inadvertent outcome. Often employees are resistant to change for a myriad of reasons; usually rooted in some type of fear. They may be worried that their jobs are in jeopardy or that they will be unable to learn the new system. Because process mapping is conducted with cross-departmental teams, it helps to strengthen the team work (silo-busting) within the organization and educate the employees on the mechanics of the overall business. It is here that employees begin to see how the new system will benefit them personally. They may become less stressed because all the information they need is going to be readily available; they may be less exposed to failure because they have greater visibility or they may simply see that with new processes and systems in place they will have time to organize a meaningful thought rather than just run from fire to fire.

Skilled and knowledgeable facilitators effectively help cross-departmental core teams develop more efficient processes while bringing visibility to an improved work environment through the process mapping phase. History and experience have proven that once people see how their own lives will be easier, they will actually be excited about the change.

Simply stated, all ERP projects stand a better chance for success when objectives are clear, goals are defined, roles and responsibilities are communicated and business processes are documented with the aid of a skilled facilitator, knowledgeable in the various improvement techniques of Lean, Six Sigma and TOC (theory of constraints). It is then and only then that the benefits are understood by all upfront.

It is also a huge advantage if you walk through the initial scoping and planning of the Business Performance Improvement Project before you start your ERP selection process. If you do, and you've asked and documented the WHY, the WHAT, the WHO, and the HOW's, the ERP selection becomes an academic exercise. You will have laser focus on which few functional requirements – rather than the hundreds available in most ERP systems today - are truly necessary and critical to support your business processes, goals, and project objectives.

Follow this plan, and you'll not only guarantee a successful ERP implementation, you'll have significantly improved business performance to show for it!

Using this structured approach, several key activities, including training documentation, conference room pilot testing, organizational change management, end-user training, and benefits realization will allow you to accomplish a level of success unparralelled in the ERP industry.

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Synergy Resources Strategic Business Services: For companies serious about improving business performance and with the resolve to take the necessary action, Synergy Resources offers a unique combination of Products, Strategic Business Services, Software Application Services, Continuous Improvement Services, Quality Services and Technical Support to help companies achieve sustainable business performance improvement.

About the author: Throughout his thirty plus years of service Michael Canty has used his vast knowledge and by applying various strategies, technologies, tools and methodologies, helped a large number of organizations develop and implement effective business strategies and processes leading to improved operational performance. In so doing, Michael has earned the respect of his employers and customers throughout his career