

GETTING THE MOST FROM YOUR ERP

Enterprise Resource Planning (ERP) system implementations and updates represent a significant opportunity to create and fuel a virtuous circle of business improvements. However, the full potential of ERP is rarely achieved. The most widely-recognized success factors for ERP implementation, while critical to project delivery, do not seem sufficient to drive transformative change and full benefit realization.

Richard Gegenwarth, Satori Consulting Principal, begins a dialog to summarize selected success factors and outline actions firms can take to improve the initial ERP success rate and set up a cycle of ongoing improvements that continues to yield benefits well after the initial release.

The situation

Organizations see Enterprise Resource Planning (ERP) and other large-scale system implementations as the key to a wide range of improvement opportunities, including reducing operating costs, providing the integrated data and decision support needed to execute strategies, and improving management controls. Unfortunately, implementations are notorious for falling short of expectations. The success rate for ERP is often cited as being about one in three, with approximately 90% of implementations releasing late or over budget.

Given the potential from leveraging the strengths of ERP, firms must attend to the enabling factors during each stage of each release. It is easy to get caught up in updates cycles or the integration of new modules without having fully achieving the benefits expected from earlier efforts. Studies show that the average organization leaves about a third of the functionality available in their installed modules unharnessed, so significant capabilities and opportunities often go unrealized.

When one considers that ERP is now a mature market, not realizing the full potential of these efforts can be particularly frustrating. Vendors provide feature-rich products that are increasingly well architected and configurable. In addition, the key implementation partners have evolved their methods and services over decades of experience, for thousands of firms, in virtually every corner of the world.

Where is the disconnect?

By considering the role of each participant across the cycle each stage (see chart), we can gain perspective on what is happening. The issue exists across two dimensions:

	Prepare	Implement	Operate
ERP Vendor		O	
Organization	X	X	X
Implementation Partners		O	

First, ERPs and large-scale systems need to be thought of as platforms that are, particularly during the implementation, supported by three legs: the software vendor, the implementation partner, and the organization itself. Unless the three legs are strong and balanced, the organization will fall short of capturing the full operational and financial objectives that should be within reach.

While it is clearly important to have the right vendors and implementation partners, it is the development and engagement of the organization itself that is critical for benefits realization and sustained improvements.

Second, we need to think in terms of the full cycle. All of the stages are critical to success: Prepare, Implement, and Operate. Building a strong ERP platform is only one part of the process. One must also prepare the ground beforehand and be prepared to use the platform once it is built. The organization needs to evolve in each of the stages to recognize its full potential.

What can organizations do?

The good news is that there is a lot that can be done and many success factors are inter-related. It is possible to set in motion a virtuous cycle of cultural and behavioral change that provides long-term benefits. In order to make the most from ERP, organizations should:

Focus on your organization:

- Strengthen the leg that is your own organization. Internal core team members generally begin as the least experienced of the participants in ERP work, and the most sensitive to the dynamics of both the process and organization. However, they also know the most about the business and its unique position and are solely responsible for the final operating results. The organization needs to become the strongest leg
- Regardless of which stage you are in, there are actions that can and should be taken to improve the position of the organization. This forms a reinforcing cycle as new regions, modules, or features are introduced

Think across all stages, in terms of:

- Investments – understand the investments that need to be made within each stage and across all three. This is the key to appropriately planning and allocating resources, prioritizing, making key decisions and achieving results
- Processes – seek to integrate business activities, since this is what sets ERP apart from many other systems efforts. It is important to understand how core processes inter-relate to inform decisions about modules, features, configuration, releases, development priorities (e.g., when to customize), etc.
- Participants – ensure the support of top and middle management and subject matter experts. All levels need to be considered for engagement, adoption, and results to be achieved
- Strategies – identify how strategic and tactical elements will drive and enable organizational differentiation in the market

Play the central role:

- No one else can. Your implementation partner is important to facilitate the process and run the program smoothly, but decision-making and accountability ultimately reside with the organization
- Use the ERP as a focal point for change. Your team needs to work well together even in the absence of vendor and implementation partners, so take the initiative to develop positive team dynamics as early in the process as possible. Proactively foster inter-departmental cooperation, collaboration, and communication – all frequently cited success criteria – so the organization can operate as independently as possible

Position internal participants for success by developing new capabilities:

- Since strong project team competence is a well-recognized success factor, select the right internal resources to participate, They should be subject matter experts with the ability to develop a holistic view of the business processes and challenge where and how work is done
- Identify and build the skills needed in each stage. Do so before they are needed and cultivate them so improvement continues during the Operating stage. New capabilities may include process analysis, knowledge management, program management, or transformational leadership
- Get help when you need it to develop in-house capabilities. Organizational effectiveness and change management require dedicated focus – something project teams often lack the bandwidth and expertise to provide. Select a provider who can be solely focused on the organization’s needs, without self-interest with respect to the ERP

Strike a balance:

- Provide clear goals and objectives, but govern the effort in a flexible manner, so that new insights can be factored in as the organization examines itself in detail.
- Keep expectations in line with the realities. While ERP has great potential, it is more complex than most organizations expect and involves a great deal of debate and decision-making, which can create havoc
- Make decisions that will stand the test of time, maximizing uptake and business impact in the near- and long-term. For example, balance the standardization of processes and controls with system customization. The more process conflicts that can be resolved up front, the less customization, rework and total maintenance will be required later. However, some tailoring may be necessary to retain or extend existing market differentiation
- As pressures mount during ERP implementation, continue to invest in organizational change. The balance between technology, process and people changes needs to be maintained even as trade-offs and implementation decisions are made. Firms that defer organizational changes as they manage scope may deliver on schedule, but won’t achieve the full benefits and potential results of their ERP efforts

By thinking in terms of the stages and focusing on the organization, it is possible to get more from your ERP. An opportunity is a terrible thing to waste and ERP represents a huge opportunity.



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