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KNOWLEDGE MANAGEMENT OF ERP IMPLEMENTATION

When it comes to ERP Implementation

I am sure most organizations spend most of their initial time only on the following three domains:

1. Projected Cost of Implementations.
2. Functional Capabilities of the ERP system selected.
3. Future Benefits the system will bring in on successful implementation.

Weather you are a **Multi-National or an SME,** with the growing advancements in technology there is no doubt that your **competition is getting tougher each day.**

There is therefore a growing need to **better organize your business processes**, keep your **customers satisfied** and **improve on your profit** making skills.

ERP Implementation is therefore the best investment you can make to your help your business pace up your customer service deliveries, to keep your data organized and to keep your growth systematized.

ERP Facts:

ERP systems that provide accurate, real-time information about daily operations help companies reduce operational costs by 23% and administration costs by 22%.

— (Aberdeen Group)

If you're looking for some actionable practical strategies for ERP Implementation that you can use for your business, then you are going to love this article.

First of all let's go through **some of the most common yet unavoidable reasons for ERP implementation failures.**

Most Common Reasons for ERP Implementation Failures

1. Poor Change Management execution.
2. End Product failing to achieve desired benefits.
3. Change in business goals during the ongoing project.
4. Poor Planning and Poor Project Management.
5. Delayed deliveries from vendors.

ERP Facts:

51 % viewed their ERP implementation as unsuccessful.

— The Robbins-Gioia Survey (2001)

Some may debate that choosing the right ERP system or right Implementation Partner can solve this problem but the point is that purchasing the right application or hiring a good implementation partner is not even half the battle won.

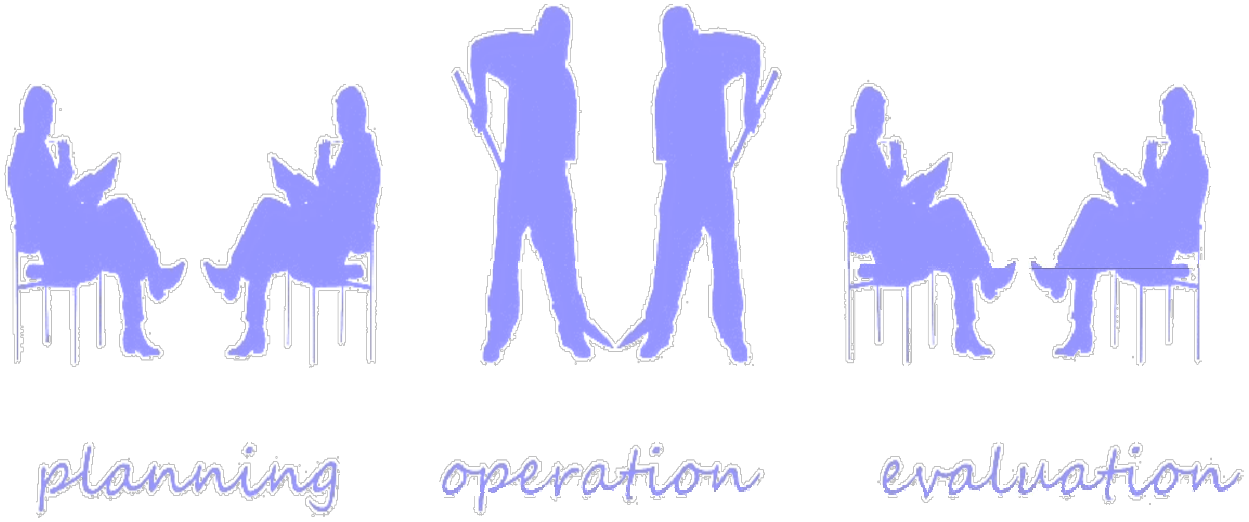
Every ERP project is unique and thus requires a pre-planned detailed approach but this do not look relevant until much later in the project.

Here's a **step by step high level process** to ensure that your time and resources are invested only in a **successful ERP Implementation.**

ERP Implementation : The 12 Step Process

1. Define Scope of Implementation and End Objectives
2. Select an ERP System.
3. Create the Project plan.
4. Define phases of Implementation.
5. Make urgent but achievable Schedule.
6. Make a Communication Plan.
7. Arrange mid-way Approvals.
8. Plan your Testing.
9. Migrate Business Data
10. Prepare for the change
11. Plan your Go-Live
12. Support and Maintenance

Step 1. Define the Scope of Implementation.



A. Define Scope of the Project

Scope of an ERP Implementation Project is often stated as the link between **Evaluation and Implementation** of the project.

It comprises of the realistic goals to be achieved during the Implementation. State all the **Whys** and **Whats** of your ERP Project in this document.

Why do you need it?
What do you want it to achieve?
What your business processes are?
What major problems do the end product has to address?

B. Write objectives of the Project

The purpose is to create a detailed business case study in the beginning itself. This ultimately forces you to work upon the bottlenecks of the processes.

Brainstorm

What are the areas that are challenges today?
Which are the areas in your business that need to be impacted?

So as your main task here your team should be able to write objectives that focuses on the benefits of the end product to the organization and the actions that achieving these benefits.

This all boils down to the fact that if you don't understand how your company already works, what changes you want and what future objectives are you looking for you are not likely to get favorable results from ERP implementation anyway.

ERP Facts:

46 % of the participants noted that while their organization had an ERP system in place, or was implementing a system, they did not feel their organization understood how to use the system to improve the way they conduct business.

-The Robbins-Gioia Survey (2001)

C. Anticipate Risks

One of the key risks that organizations often face is the not being able to an impact the business bottom line with their ERP Implementation.

Make sure the business objectives are clearly stated in the above step before getting into technology you want to use or vendor you want to partner with.

Risks like Cost Overheads is very common event in ERP Implementations and can be a major anticipated risk you should be prepared for.

ERP Facts:

21% of ERP implementations fail to deliver significant business benefits.

– (Panorama ERP study)

D. Assign Team and Define Roles

One mistake that organizations make while selecting an internal team for the ERP Process defining, is that they include the people whom they can easily spare from regular work (without impacting on their main business activity) and then they often make a mistake of not including the key persons of the unit.

Do not make this mistake as the insights of your business that your key persons can bring onto table, cannot be brought by other less experienced staff.

Assign a team of end users with core skill set and authority.

Define their roles.

Ask them to focus on simplifying the process as much as they can before approaching the erp implementation partner.

Motivate your development partner, before your project begins, to suggest if there are alternative ways to achieve the same goals.

Tip: Never hurry in the Initial Scope Defining Step. Do multiple revisions of the above step before starting the project.

Step 2. Selecting an ERP System

As there are so many ERP Softwares available for you to choose from. If you do not understand what they all are it will be very likely that you might end up choosing what you do not actually want.

So here is a quick overview of the types of ERP Systems for you

Types of ERP Systems

A. Own Custom build ERP systems:

This is the system where you choose a partner to start developing a solution for you from scratch.

Benefit of this system is that you own the complete process and hence relevancy and security increases but owing to the complexity of ERP implementations and the huge costs involved this shall be the least preferred option for you in most cases.

Tip: Do not undertake this approach unless you have an internal IT department to take case of technicalities and a highly specific requirement.

B. Cloud based Industry Specific ERP solutions:

This is a much better solution for any business as compared to the previous one. This is the Software-as - a -service ERP solution for your industries. For Eg: Odoo's Restaurant Management Solution, it is a ready made solution for the restaurant owners just go to their site , book the solution and start using it immediately.

Benefits: Implementation is immediate, solution is cheaper usually on annual rental and maintenance is almost zero from your end.

ERP facts:

67% reported that they need a solution with more industry-specific functionality than their current ERP system gives them.

(Mint Jutras)

Servers in most cases are maintained by the vendor themselves as well.

Only problem is that your organization will follow the workflow of the system but the system won't follow your workflow.

So in broad sense you are almost hiring some pre-developed (probably for some other organization) ERP system that might work well for you or might not work at all.

This also means you need to conduct training for your staff is a deciding step analyzing the success of the system.

Tip: Do not always follow the system that your competition is working with.

C. Customized Cloud based ERP Solutions:

This is the option that have certainly revolutionized the industry. One good example of such a product is Odoo's Suite of ERP products

You don't have to buy expensive systems,

When looking for industry based solutions, these systems are most of the times 60-80% ready to be worked upon to cater customer's specific demands.

ERP Implementation failures are less frequent in these cases.
The Erp Provider often ensures the system remains updated.
Customizations can be implemented on demand of customers, thus ensures a future proof solution.
Ask for a demo from your partner before choosing any option.

ERP facts:

2013 1/3 of ERP buyers did not even demo a product before buying it!

(Capterra)

Step 3. Create Project Plan

As mentioned above one of the top reasons often seen for an ERP Implementation failure is lack of proper management.

ERP implementation is huge task, often it takes months before there are visible results.

Thus there is always a huge cost at stake.
In most cases of failed ERPs one of the major reasons is lack of proper planning from either the customer's end or the vendor's end.
Another being mismatched expectations and differences in the customer's and partner's approach.

For Eg:

Customer obviously focuses on the cost, time and features they want.

While partners always looks from the software's angle, a global solution that satisfies all business cases with minimal or no system crashes at any stage.

As time passes and customer is not able to see as they visualized, they become disappointed.

Then often they come with an adjusted version of the original requirements, not knowing that it might demand complete fresh development many times.

and this increases the cost and delays the overall process even more.

ERP facts:

61.1% of ERP implementations take longer than expected.

(Panorama ERP study)

On the other hand if they are aware of this they can make sure that a proper plan is being executed and

that the right messages are being conveyed to the partner (with the proper resources allotted to the job from the partner's end) and **implementation** can thus be completed on time, within budget and with excellent return on investment (ROI).

Tip: As an actionable step here you need to make sure the team you selected in above steps should develop a detailed robust project plan.

This plan should necessarily include the following:

1. Previously defined Goals.
2. Objectives with defined tasks.
3. Well structured realistic timelines.
4. Planned Training Procedures. (Should start at least one month before Going Live)
5. Team member's responsibilities individually.
6. A To-Do List for each team member.
7. Case studies for development partner.
8. Checklist for point-wise functionalities, that will help you do functional testing.
9. End Result Case Studies (for each erp module involved) for final testing.

Step 4. Define Implementation Phases

The implementation of an ERP system varies widely from customer to customer.
Identifying Modules of ERP that your business requires is therefore a very important and often ignored step.

TIP: Ensure this step is complete either before you start to look for Implementation Partner or at least before commencement of the development.

The main Purpose of this step is that you should understand the need to map your business processes.
The need to have a clear statement as to what all processes you perform for your business and more importantly why you do it. Identify the existing ERP offerings and identify what customization are required for it to properly fit into your organization.

Tip: You must prepare or ask your partner to prepare a Gap Analysis Document.

we always tell our customers that the system should follow their business workflow and not the otherway around.

So look for how your own workflow is different from the system you are approaching, ask your partner to arrange as many demo sessions as they can.

Divide complete project into independent phases.

Step 5. Make an urgent but achievable Schedule

If you are able to implement the highest possible quality project in minimum possible overall cost but deliver an year late, will you be able to call it successful? Timing therefore is everything in ERP implementation.

ERP Facts:

61.1% of ERP implementations take longer than expected

(Panorama ERP study)

Here are some tips to follow:

- We all know execution hardly goes as planned. So make your schedules flexible enough to allow adjustments if required.
- During the project you should always have access to the real time status or progress against delivery dates.
- Your Project must be divided into a number of definable independent phases and these phases into ordered list of tasks; with estimated starting and ending dates.
- Keep everything as detailed as you can. Well spent time at planning stage can save you months during the execution.
- Do consult your IT partner for this. Keep buffer time between phases if possible.

Step 6. Make a Communication Plan

- Schedule organized meetings with your IT partners.
- Plan for regular meetings in the beginning itself.
- Keep status of developments updated all the time.
- Schedule mid way demos.
- Try keeping the same team for communication every time to avoid confusions.
- Fix agendas of next meetings in the meetings.

Step 7. Arrange mid-way Approvals

One of the most common reasons for implementation failures turns out to be the end product failing to achieve desired results.

So why wait till end?

Schedule a range of mid way approvals in the project plan.
Consult your IT partner way ahead of time, and prepare testing cases for each of these.
Along with project management team, involve the department key persons for approvals or change requests.

Step 8. Plan your Testing

Testing is one of the most crucial parts of your implementations.

- **Technical Test**

This test ensures that the code provided by the vendor is not buggy or faulty. Faulty Code is another reason of most of failed ERP implementations.
Your own internal IT department can conduct these tests.

There are Third Party Testing companies that provides impartial confirmations.

- **Functional Test**

Ensure functionality wise all the promises are met.
Use the checklist you made in the planning phase.
Ask your development partner to arrange point wise demonstration for the same.

- **User Acceptance Test**

This will be the testing which your project team will conduct.
Involve the key persons with in depth knowledge of business to conduct these tests.
Always Pre-plan the test cases that you might want to run to confirm the functionality of the system.
Confirm Auto backups.
There can be a chance that some configuration changes are required to meet the exact business flow, be prepared for this.
Keep a buffer time for the adjustments before you can Go Live.
Prepare Videos of the functionalities successfully tested; these can be used later during training programs.

Step 9. Migrate Business Data

Data Migration is the act of transferring your present business data to the ERP.

This may include your Customer/Supplier data, Employee/Product data, or even accounts history in many cases.

A. Converting data from previous software/ collecting business data:

You should know that the two systems are obviously different so try and remove outdated information before uploading.

Add the new data that the implementation might require into the spreadsheet before uploading.

B. Review and approve:

It is very important to confirm the data uploaded into system is accurate.

Do not hesitate spending some time to approve, be 100% sure before approving.

Step 10. Prepare for the change.

We need to understand that preparing a solid functionality on paper and getting it developed as planned won't change the scenarios of your organization completely unless it is implemented internally in the organization.

Change Management therefore becomes one of the most frequent reasons for ERP failures.

Your staff necessarily needs to engage themselves with the ERP from the beginning itself.

Follow these few steps to bring the change

- Expect the change, let your staff know that a new system is about to be introduced a month before.
- Get full fledged User Guide Documents for each module from your development partners.
- Establish a sense of urgency among staff in the beginning.
- Instill enthusiasm among staff with the benefits of new system.
- Get functional training programs from development partners.
- Prepare training videos while in testing period.
- Generate short term training programs for staff.
- Prepare your leadership to motivate your staff to be more adaptive.
- Often companies run the old ERP and the new ERP system parallel for a period of time. Avoid this to reduce redundant work load on staff. This reduces the resistance among staff.

Step 11. Plan your Go-Live Period

Going Live is the last phase of your successful ERP implementation project. Make sure you have planned some days out for this along with your core team, as this is considered to be one of the most hectic tasks of an ERP project.

This is in broad sense the final evaluation to the readiness of the product in hand.

ERP facts:

40% of ERP implementations cause major operational disruptions after go-live

(Mint Juntas)

Prepare a final go live checklist for evaluation.

- Include the hardware synchronization in case required.
- Test the business reports.
- Test the accounting reports from the system.
- Test the Email Client synchronization with ERP.
- Test Access Right Limitation for all user types individually.
- Test with static and dynamic data.
- Confirm accurate Data Migration.
- Confirm the User acceptance test as positive.
- Confirm auto backup measures.
- Confirm all the other tests be it be technical or functional as positive.

Step 12. Support and Maintenance

Do not stop yet!

One of the major differences between an unsuccessful and a successful ERP implementation is after Go live Support.

Remember a successful ERP implementation is a journey and not a destination.
Consult your development partner for Support facilities to ensure ROI in business from the change.

Bonus for you

Here's a list of steps you should **never take** while during ERP Implementing.

1. Not researching enough for ERP software options.

Remedy: Look for industry specific ERP solutions first**,** for eg there are many industry specific solutions in Odoo's Suite of ERP modules. Have a look at them before going anywhere else.

ERP Facts:

22% of companies surveyed reported they just bought the first system they looked at.

(Capterra)

2. Going for huge customization.

Remedy: Go with the offering with least possible customization for long run stability.

3. Going for the solution which every other competitor is using.

Remedy: This can be a great step sometimes; although can reduce your USP as well, for an organization. Don't hesitate changing the trends.

4. Not investing in training.

Remedy: Conduct a well planned training program for your staff.

5. Not investing in Maintenance and Support.

Remedy: Maintenance support at least first few years is must. Believe us your ERP solution is your Investment and not an Expense.

Implementing an ERP solution successfully is a complicated but a crucial job for your organization.