



# THREE STEPS

to consider in

# ERP IMPLEMENTATION

...before purchasing an Enterprise Resource Planning Solution

What happens when a multi-million dollar investment doesn't pay off as expected? In the case of an Enterprise Resource Planning (ERP) system, companies often grasp for the underlying causes of their frustrations – quickly blaming the software or vendor.

Today, frustrations can get played out in the media, resulting in costly bad press for individuals, as well as the customer and the vendor. Take for example, the recent \$100M legal battle between Waste Management Solutions and SAP, or AIB vs. Oracle. Nightmare scenarios are risks most organizations would rather avoid, but the list of legal battles includes big vendors like Oracle, Lawson, MS Dynamics, and others.



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## « THE SCENARIO »

*Over the past decade, an innovative company has experienced considerable growth. The business expanded globally and the current ERP system simply wouldn't support future demand. For years, this organization had been developing and/or buying additional tools to extract reports, data, and other information out of the system, and hired people to help reconcile and keep the system accurate. During the most recent technology refresh cycle, the leadership decided that, rather than investing in another interim solution or add-on, a new system be purchased – an ERP system that will make business processes easier to execute across the organization, as they continue to grow.*

**Many companies make a costly error during their ERP system implementation** – they assume that the new system will make their processes easier to perform, without first examining their actual processes. Redundancies or bottlenecks may exist that could potentially impact the success rate of the new ERP.

## GARBAGE IN, GARBAGE OUT.

It's important to understand that ERP systems are configured to enable business processes. Whether those processes reduce cycle time, remove waste (i.e. redundancies or bottlenecks), or improve the quality of the product or service, they should be reviewed for relevance to business objectives.

The definition of a core business process varies, but typically it denotes any process that touches or impacts the customer experience. Common definitions of core business processes include:

- » Product Development: Idea to Commercialization
- » Product Management: Forecast to Delivery
- » Purchasing: Procure to Pay
- » Inventory: Forecast to Delivery
- » Marketing: Market to Prospect
- » Sales: Order to Cash
- » Customer Service: Issue to Resolution

The reality is that existing internal processes are frequently inefficient, ripe with bottlenecks, or allow inconsistent "workarounds" that put data security and reporting

accuracy at risk. Existing processes may be redundant or may no longer meet business requirements, thus requiring optimization. Configuring a system based on poor processes prohibits the maximum return on a key – and substantial – investment, typically resulting in unmet expectations.

When selecting an ERP system, consider the new system's scalability, functionality, usability, process enablement, ease of integration, and cost of ownership. Evaluate which ERP system best meets the current and anticipated requirements of the organization.

The success of an ERP implementation heavily weighs on these three key activities:



### Project Management

*Plan and execute detailed system implementation and vendor oversight plan.*



### Process Improvement

*Plan and execute structured approach to understand, refine, and develop standardized processes.*



### Change Management

*Plan and execute structured approach to transition individuals, functions, and sites from current state to desired future state.*

## STEPS TOWARD SUCCESS.

Paramount to the success of any ERP system implementation is a diligent planning phase, more specifically, developing a thorough understanding of current business processes and where opportunities for improvement exist.



STEP  
NO. 1

### MAP THE PROCESSES

Completing a business process mapping exercise unearths current process inefficiencies, clarifies gaps in supporting data, and identifies the hand-off of critical inputs and outputs. Process mapping provides a forum of cross-functional collaboration, whereby improvement opportunities are identified, solutions are discussed, and processes are aligned to ensure the organization's goals are met. Part of

process mapping is to identify and prioritize process improvement solutions. Additionally, documented processes allow software vendors instant insights into the core business processes and enables process modeling. This documentation should be included as part of the Request for Proposal (RFP).


**STEP  
NO. 2**
**MEASURE THE PROCESSES**

The effectiveness and performance of any process must include qualitative and quantitative metrics. Is the current process measured? Can the data be trusted? What metrics would the organization like to track but cannot currently obtain? Data is key to understanding where problems

occur. Ensure requirements for measuring process performance and business process management expectations are clearly defined and are included in the RFP documentation.


**STEP  
NO. 3**
**IMPROVE THE PROCESSES**

The time to resolve process inefficiencies is now, not during or after implementation. Implement easy solutions to garner quick wins and gain project momentum, then tackle solutions that impact procedures, policies, and resources. Solutions that require system intervention

should be clearly defined and reviewed for feasibility. Additionally, clearly state the reasons for changes to the process. Clear communications lower an organization's fear of the unknown and help establish a climate of trust.

**INTERNAL EXPERTISE.**

**Does the organization have internal expertise for a successful ERP project integration?** A solid ERP system, designed with the current and future needs of an organization in mind, is critical to future organizational capabilities and can impact the overall success of the organization. Correct processes, tools, reporting, storage, networking, and user interfaces can have a positive impact on profits. These decisions will also make a difference in the ROI of the new system.

**What are the warning signs of a poor process?** Can the organization spot bad processes, or are external process experts required. How confident is the organization that end users will adopt the new processes, or will there be

resistance to adoption?

Selecting an ERP system is a complex decision. Before making hardware and/or software vendor choices, outside expertise should be engaged to help document core business processes, facilitate the decision process, develop the new system implementation plan, and orchestrate the many activities involved in orienting the organization to the new system, in order to realize the system's full benefits.

Failure to choose the right system or implement it the right way will inevitably lead to frustration, significant cost over-runs, and risks to business continuity.

*Integrated Project Management Company, Inc.*

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