

“One thing that really surprises me is that some companies don't involve their IT teams in the decision-making process,” says Burnson. “Senior management just shows up and says the company is switching to a new ERP system, and the IT team has no idea that it was going to happen. They weren't given any opportunity to provide input or given the chance to point out different functional requirements.”

“Involve all of your IT decision-makers, department heads or anyone that the change will impact. Let them know what you're looking to do with the new system and find out what sort of features each department or area would like to see in the new system. Find out what everyone's pain points are using the software they have now. I think just opening that dialogue internally with your company is really critical.”

Organizations definitely need different parties involved in the implementation process. They need to ensure that whatever department the new system is going to touch that someone from that part of the business is involved, knows what's going on and is able to gradually introduce changes to their department team. Companies should make sure to put their best people on the implementation, not just the employees that have time on their hands. Having the best resources on the ERP implementation are critical to make it successful.

“We like to have senior management as part of the steering committee,” explains Filbert. “Then we have the implementation team that would be broken down into the business process owners in the various areas of the company. That includes folks from the supply chain, engineering, manufacturing, accounting and finance sides of the business. As you get more into the details of the process, bring in subject matter experts from those specific areas. The folks that are going to be the champions of the software from each of the major functional areas.”

SECTION 3: Misconceptions, Mistakes and Best Practices

According to those surveyed by *MBT*, the top obstacle faced during implementation is users' resistance to change. Beauty and cosmetics company Avon had a painful experience in this area.

When Avon decided to implement a new order management system into their ERP, the process didn't pan out the way the company expected. Avon relies on their salespeople who go door-to-door to sell the products and who traditionally phone in their orders.

The decision-makers at Avon thought they could save a lot of money by eliminating its phone order department and instead substitute that process with mobile devices. What the company failed to factor in was the older age of their sales force who didn't always have access to smart mobile devices, were not technology inclined and that a lot of them lived in rural areas with poor Internet connections. Avon completely ignored that human element during the implementation process when they really needed to train their employees, so that they understand why the changes were coming and how it could benefit them.

In the end, Avon's modernization was supposed to save the company over \$10 million per year, but instead, sales representatives left the company in droves because of the change in their daily working routine. Salespeople didn't understand the change, saw the new system in a negative light and decided the job wasn't worth it for them anymore. Avon failed to adequately think through their process and became an example of poor change management in action.

Misconceptions

One of the most obvious misconceptions about ERP implementation is that the process fails because the software is buggy. That's very rarely the problem. Usually, the business implementing the software is at fault. Somewhere along the line, something went wrong. It can be anything from not having a realistic timeframe, to not having or accounting for everything that needs to be in the budget, to not training employees adequately.

Top Obstacles Encountered During the Implementation Process

1. Users' resistance to change **37.3%**
2. Functionality problems with the system **34.3%**
3. Cost over runs **29.9%**
4. Unclear concept of the nature and use of the ERP system from the users perspective **26.9%**
5. Only part-time dedication by employees to the implementation process **26.9%**
6. Too tight of a project schedule **20.9%**
7. Unrealistic expectations from top management concerning the ERP systems **20.9%**
8. Too much software modification **19.4%**
9. Over-reliance on heavy customization **17.9%**
10. Poor knowledge transfer **16.4%**
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Poor quality of business process reengineering **13.4%**

“That's not to say that vendors are never at fault,” advises Burnson. “Obviously salesmen can make promises that they can't end up keeping. So, make sure to get in writing any sort of promise or guarantee the vendor tells you.”

Another big misconception is that an ERP system is easy to implement. Companies figure they can do it on their own and don't require any supporting services.

“When we do demonstrations, we always want to sell it as the most easy-to-use package, and it should be,” says Hansen. “It's very intuitive, but not intuitive enough that an organization is able to apply its business directly to the new ERP system, understand how to set it up and that you understand what the outcome is going to be.”

“Companies need guidance because there's always four ways to do something. There's the perfect way, an okay way, a not-so-good way and then the worst way to do it. Helping the customer get to that best way the first time, is invaluable to any company — to realize their true value of investment quicker.”

Implementing ERP is not equivalent to installing off-the-shelf software onto a desktop computer. ERP touches every aspect of a business, and its designed to help run a business more efficiently. Companies need to be open to process changes and understand the impact of the implementation and the resources required to avoid failure.

Pain Points & Mistakes

“Quite often I see implementations stalled by focusing on the nice-to-haves that maybe should happen during a second phase implementation process,” says Poindexter. “It causes a company to lose sight of those core requirements and those existing pain points that they need to solve. They've got to put up very clear expectations and give it some time for the people to use it before looking at all the bells and whistles.”

One of the keys to a successful implementation is a solid ERP systems design that gives an organization the capabilities they need but also has a lot of flexibility. Businesses need to go through and document their key business scenarios for use cases and then run through those in the new system to make sure they're working. Companies can see issues up front then and determine where they might change that process to better fit the capabilities of the new system.

“Companies will customize the new system to do things the way they've always done them,” adds Poindexter. “That's a very common thing that will happen during implementation. Someone will be fixated on a report or screen they've always had, instead of looking at how they can do that better in the new system. They don't realize that an interactive dashboard might be easier and

simpler than a static report or screen. Companies need to give the new capabilities a chance to solve their problems and not get stuck on how they've always done something. It's that typical resistance to change that they've got to overcome."

Another pain point companies face is making sure that users are adopting the new system. The resistance to change can be strong, so every organization should make sure employees have been properly trained, that they understand what the system does and how it plays into other areas of the business.

"Maybe there is a piece of information that a user needs to enter, but they don't use that information themselves and don't see why it's important," explains Poindexter. "If they don't understand how their work in the ERP system affects the business, they might end up not adopting the process and now downstream functions begin braking down. Companies need to make sure that everyone understands the workflow to the system and how what they do or don't do affects the next person down the line."

The more an organization adjusts or enhances ERP software with specific requirements (versus changing a business process), tends to elongate the implementation time. The reason to proceed with an ERP implementation is to address those pain points — those processes being done internally.

"Don't recreate those same processes within the new ERP," says Hansen. "Before you implement an ERP system or start inputting data, analyze what you're currently doing. Are there any negative implications on what you're doing today or are there any pains with that today that we should be addressing before we start inputting that same process within the system?"

Among the biggest mistakes companies make during implementation are not managing expectations, having unrealistic deadlines, not adequately training employees and probably worst of all, not ensuring the vendor will be able to deliver on the key requirements the company needs out of the product. To avoid these things, organizations have to know what they're getting into by reading about other companies' implementations and the mistakes they've made. Companies should do their homework while ensuring that their employees are on board with the change and that they are getting the resources they need to be fluent with the system once it goes live. When in doubt, defer to in-house experts and take their advice and considerations seriously.

Another mistake companies make is thinking they can implement ERP themselves — so they're essentially guessing. While that might be okay for today, it paralyzes them when they look to grow in the long-term.

For example, a company today buy's one type of sheet aluminum, adding it into their ERP system. What happens when they get a customer order six months to a year from now that uses aluminum as well, but it's a different alloy of materials? Because the company was so generic the first time, they now have to find a way to call out the new material differently, so that it's intuitive to

employees which is which. “They look at their business, they look at the software and they try to make key business decisions on their own without having expertise of what would really work for them and support growth long term,” adds Hansen.

Another misstep for companies is not ensuring that the implementation is done in a concentrated timeframe. Time is not an organization’s friend with it comes to ERP implementation. As time goes on in an implementation, companies find it more difficult to bring that system live. Having a focused effort avoids the implementation from rolling on over several extra months or years.

Best Practices

First of all, businesses should know what they’re buying and have a realistic understanding of what that product will be able to accomplish for their organization. Vet the vendor, and make sure they will be able to deliver. Companies should verify that their employees are on board with the changes and keep their departmental heads and other decision makers in the loop. Businesses need to get their IT team involved on day one. A business should understand that their organization will have to adapt to the software — the software can’t always adapt to every single one of their processes.

Businesses have to manage their expectations. If there are problems within their business, a new ERP system alone will not fix those problems. They have to adapt new business processes with what the new ERP system is telling them to do. Companies have to be comfortable with the fact that a lot of their internal processes are going to change. They also have to embrace, plan for and communicate those changes to employees. A new ERP system won’t do anything for an organization if their processes don’t change. That’s just the bottom line.

Organizations can never have enough training. Training should be integrated into the daily processes. Whether its vendor-supplied services, video tutorials or hands-on training specific to positions, make sure the documentation is available company-wide. Periodically, every year or two, companies should do a review to make sure that they’re getting the most out of their ERP system, not falling back into old habits and continue to help employees be more productive.

“Right before you deploy, make sure you do that final end-user training,” says Poindexter. “You don’t want to do that end-user training months before the deployment, because they’re not going to remember all that training. You want to do it right before go live.”

In the end, companies need to do their homework vetting vendors or anyone they’re going to sign a contract with. If they’re outsourcing any of the implementation to a consultancy firm or third-party implementation service, they need to review them as well. Businesses need to make sure that they have every single detail sorted out before they begin.

SECTION 4: Moving Forward

According to the survey, 94% of respondents would describe their ERP implementation as successful, but things aren't done yet for them. Implementing an ERP system should be a process of continuous improvement for a company. Once everything is in place, it's important for a company to widen the reach.

“Even if you've gone through an ERP implementation, in my mind it's never done,” explains Filbert. “You should be constantly trying to increase the adoption of that software with employees and across your enterprise, continually improving its use and how far it reaches into your organization.”

Judging Implementation Success

Not every ERP implementation will be a victory. So, how does a company determine if its was successful? Companies should determine how long certain tasks took under an old system and then determine how long they should take under the new system. Tracking those little individual adjustments to businesses processes allows companies to see where they're saving man hours, reducing redundancies and reworking inefficiencies.

“Companies need to go back to the beginning and look at why they're doing this project,” explains Filbert. “Was it to get away from legacy software that's no longer supported? Are we growing by leaps and bounds, and our existing system just can't handle it? Did we address all of those pain points we listed in the beginning? Then, make sure that after the new systems are live that you're reevaluating constantly every couple of months to guarantee that you achieved what you wanted to and received the value from this project that you expected.”

A company can use a number of different metrics to judge the success of their ERP implementation. For instance, an organization can use a simple ROI calculation that looks at how much it cost to implement, how much it is going to cost over its lifetime and then a year-over-year analysis to determine any returns. In some cases, a business might even end up spending less on its new ERP system when it's all said and done than what they are paying for their current system.

“Obviously there are a lot of investment tools out there to look at, but it's more about looking to see how you accomplished what you set out to do,” says Poindexter. “What were the pain points that you wanted to solve. Look at them, and determine if you now have a better process in place.”

“Let's say one of your goals was to process your customer orders in one day instead of four days. Go back and validate that what you said you needed to accomplish, you've accomplished. If you only went from four days to two, go back and see where you can do better — as you only accomplished part of your goal. Make sure to get customer feedback, too. Customer satisfaction is really key. If you're running your company better, you should have happy customers.”

What respondents said they would have done differently during the ERP implementation process:

- “Wouldn't have waited so long to upgrade.”
- “Our scope was too large. Would have preferred a business versus a regional deployment. We started deployment in Asia, but design team was in the U.S.”
- “Better and more extensive end-to-end testing.”
- “Invest in services.”
- “Clearer definition of process owners for new process review and lead adoption.”
- “Look to all departments for input.”
- “More education and training for users before go live date, particularly on the plant floor.”
- “Better process documentation.”

Evolution of the Machine

For some ERP implementations, the reason why the process takes so long is that companies are just dealing with the baggage of their old system. With a greater movement to establish that different systems can communicate well with each other, migrating data from one system to another should become smoother and more flexible.

“I would hope that the implementation process over time becomes less tedious,” says Burnson. “One of the reasons why it's still such a pain for a lot of companies is because they're using a 10- or 20-year-old legacy system. They now have to pay their dues for maintaining that legacy system for so long.”

For the ERP implementation process to evolve, it will be important to figure out ways to do some of the manual work in a more automated way for data extraction capabilities of legacy software and data. Then implementation becomes more of a technical implementation versus throwing man hours at manually loading data into the new system. That will speed the rate of implementation.

Other ideas for better implementation include looking at rapid implementations where it's a highly concentrated effort for a shorter period of time; a services team approach where the ERP vendors go in and actually do the majority of the heavy lifting on the implementation; and the capability to do the implementation remotely and avoid a lot of travel time.

“I believe that there’s a huge shift coming in the way that people learn to navigate their ERP systems,” says Hansen. “People don’t want to read textbooks or travel for a three-day training class. They want something that is going to lead them through quickly.”

Hansen adds that system users want to know that they can get the information they need when they want it and how they want it. Moving forward, she feels that systems will have more videos, kits and tools built into the software to automate things and make it very intuitive for a user.

“ERP is truly the neural system of business,” concludes Hansen. “It’s the foundation. It’s what allows a company to have insight on their processes and organize it in such a way that they can successfully support their customers and grow. It’s more of a necessity today than it ever has been — in order to stay competitive.”

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Advantage Business Media's Market Monitor Research Series presents fresh research and analysis on compelling and timely industry topics. "Implementing a Brighter Future with ERP: Tips and Insights on Making Your ERP Implementation as Painless as Possible" was prepared by *Manufacturing Business Technology* Editor Jon Minnick. The data presented in this report is based on the results of a survey of *Manufacturing Business Technology* subscribers, comprising of CEOs, presidents, owners, engineers, managers and directors across the manufacturing industries.

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