Building the Path to Better Profits:

Implementing ERP Technology to Successfully Achieve Return on Investment

Business Unified™ **Exact** software ™

Introduction

An enterprise-wide technology implementation is a significant undertaking, as it can change the way in which a company does business and how individuals do their work.

When it comes to software implementations, organizations large and small share the common goal of rapid deployment and return on investment. Small and mid-size businesses ("SMBs") however, face unique issues and challenges that might not be satisfied by vendors that typically serve the Fortune 1000 or "Tier I" community. Such vendors may tout specialized "SMB solutions", but many times they are nothing more than scaled-down versions of the larger enterprise suites that do not take into account SMB concerns.

At the same time however, industry advances have allowed smaller manufacturers and businesses to compete with larger corporations in developing and supplying their products worldwide. To take advantage of these opportunities, SMBs have found themselves needing more robust software packages that encompass both back- and front-office capabilities. But many times, neither the businesses themselves nor many of the software vendors are fully aware of the unique problems that size can present to complicate implementation and the path to success.

Regardless of company size, an enterprise-wide technology implementation is a significant undertaking, as it can change the way in which a company does business and how individuals do their work. But, because larger corporations command greater resources which can readily manage the pressures of implementation, they can afford to assemble a dedicated, focused and highly skilled implementation team. Many times this might consist of a combination of an in-house Information Technology (IT) staff, the software vendor's firm and a third-party systems integration team.

Smaller firms, who may neither rely on sizable budgets nor internal teams to deploy an enterprise-wide initiative, still have selection, scalability, methodology and culture issues to consider. Those that succeed can expect increases in productivity, capacity, workflow efficiency, and customer satisfaction along with reductions in lead times inventories and operating expenses. However, a misstep during any of the design, planning or implementation process can have a significantly adverse affect on operations.

By following some fundamental concepts, smaller companies can make their technology investments pay off, with little disruption to the business. This paper discusses nine steps to easier ERP implementations and better profits.

1. Know Thyself

Prior to a major technology undertaking that can potentially involve most facets of a business, the foremost consideration that many small companies neglect is an understanding of their own internal workflow and processes. No matter how small an organization is, there are procedures and methods that are innate to a company but might not be documented. Determining the needs of operations, sales, marketing and finance, how they fit into the strategic objectives and budgets, and applying that knowledge to the decision-making process is the first step in achieving a successful ERP implementation.

2. Only Bite Off What Can Be Chewed

The most obvious and tangible means to a successful ERP implementation is choosing the right enterprise solution from the outset. One problem SMBs experience with packaged solutions is that the technology is not geared to the size and scope of their business. Scalability can be an issue, even with SMB-specific solutions that are designed as subsets of their larger corporate counterparts. Applications originally designed to meet the needs of those large-scale companies have built-in capabilities and complex features that a small-to-midsize firm may never need – and shouldn't have to pay for.

Technology overkill is costly. It also proves to be more complicated to implement and configure technology solutions in a small or medium enterprise, and costs more long-term for maintenance and upgrades. A wiser approach would be to look for proven solutions built and scaled to meet specific SMB needs, which have the flexibility to upgrade and expand as business needs change and grow.

3. Time is Money—Lots of Money

Those Fortune 1000 software vendors and systems integrators - the technology "providers" - are accustomed to serving the needs of an equally enormous customer base. Each might have effective implementation methodologies as practiced by their clients, however those same practices can be time consuming, overwhelming and costly to smaller companies. This type of protracted implementation unnecessarily reaches far beyond the needs and budgets of smaller organizations.

A small or mid-sized business needs to implement a solution in a typically shorter time frame than a larger business, whether the implementation is done in partnership with the software vendor, reseller or an independent integrator. Although the general framework will be similar to that used in large implementations, each of the elements is more simplified providing that the right software package has been selected. Many software providers offer rapid implementation tools and sample templates more suited to SMBs that enable fast, easy configuration without customized code, thus speeding up execution and ROI.

4. Prepare (and Rally) the Troops

As was previously mentioned, most SMBs do not have their own IT department and in fact, a single employee may fill the role, possibly in tandem with another position in the company. Additionally, those people who define the plan and oversee implementation might also very well be the users after the system is installed. This centralization of intellectual capital, although expediting, can actually be an obstacle to fostering ideas or communicating issues.

Given this scenario, it is essential to establish open and ongoing communication from inception to completion between all parties, including: corporate management, business partners and/or integrators, system users, and the software vendor. The time spent helping employees of small companies understand the magnitude of such an undertaking, the reasons for the initiative, and the benefits expected can mean the difference between cooperation and conflict, enthusiasm and resentment, success and failure.

This issue is especially true of long-term employees. Users moving from older, yet familiar, legacy systems or popular, off-the-shelf packages such as Microsoft Excel, may need to learn that standard enterprise software is not a plug-and-play solution. ERP solutions are typically configured specifically to the business and its processes, and usually require training. If this point is established early in the planning phase, users are likely to exhibit more patience and perseverance if use becomes difficult. An experienced consulting partner who can act as facilitator and mediator throughout the rigors of implementation can be a useful mechanism of achieving a fluid design, implementation and rollout process.

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5. Commit Yourself

Even with the commitment of management and buy-in of users as a key element of any successful implementation, a large portion of the overall execution responsibility will fall to the software vendor and/or implementation partner. The trend among companies today is to ask for an integrator or vendor's guarantee of a successful implementation, even linking compensation with guaranteed results.

The trend is commendable - as long as the buyer doesn't abdicate too much responsibility. Since personnel resources are already stretched, it is tempting to allocate most of the accountability to the vendor, however this can be shortsighted. To ensure better long-term success, direct involvement with planning and execution with any 3rd party by the buyer is required. As a part of resource allocation during planning, the company management or project steering committee should assess project resource timelines, and then commit sufficient people to be a part of the process throughout its entirety. Ultimately, project involvement in the early phases by a business means having an internal knowledge base of information when it is needed later.

6. Overcome the Fear Factor

Change is a feared word in the corporate world. With SMBs, change means less about downsizing than it means altering a culture, particularly with long-time employees or family members, a mainstay in the small-business environment. For these people, a new enterprise system signifies an adjustment in virtually everything familiar in the day-to-day operations: how information appears, is entered and accessed, how reports look, and insecurity about job performance within a new environment. As a result of these negative perceptions, the on-boarding of resistant staff can be an obstacle to a smooth technology transition.

The desire to cling to "tried-and-true" methods and to have doubt about change is normal, however it does need to be addressed. Managing apprehension or uncertainty is a task best performed by leaders who possess change management and project management skills. Backed by the proactive assistance of corporate management, project managers must attend to and defuse political issues and cultural problems in order to involve users in the implementation process. Inclusion of all users during the planning process alleviates resistance down the road and facilitates participation and creative input.

Once it becomes demonstrable that new technology will make many operations and tasks easier, most employees buy in to the initiatives to become enthusiastic supporters.

7. It's All About the Processes

In a small business environment, there may be less understanding of the critical role that business processes play in the implementation of enterprise applications. "Process flow" is the definition, management and sequencing of the discrete tasks and procedures required to perform business operational functions, and smaller businesses might not have such procedures defined due to the less formal environment. Additionally, small manufacturers may not have access to the advanced manufacturing technology and processes adopted by their larger counterparts.

The process-modeling phase is typically the longest, most difficult aspect of an enterprise solution implementation and is the most critical to achieving success. SMBs need to be sold on this concept because experiences with off-the-shelf software don't require modeling; such technologies mean simply installing, entering data and running them. With enterprise applications, operating the technology can be disastrous if companies do not accurately model the business process flow.

While certain business functions (sales, finance, personnel and product management) may be similar across companies, the ways they are accomplished often differ. When building a new business model, it makes sense to choose the processes and templates that most closely align with the business. Companies lacking experience in process definition should expect to be able to turn to the technology partner for recommendations based on their partner's experience with industry best practices;

partners need to be prepared to assist in aligning processes and provide multiple options in designing and defining business process models.

The challenge for companies is to take the time required to model business processes, develop a pilot, perform parallel testing, make adjustments and resist going live until all processes function smoothly and without error. This includes allowing a modicum of leeway time to allow for repeated fine-tuning, which can take weeks or even months. Accounting for this necessity upfront will lessen the work on the backend.

8. Make It Right the First Time

The good news is that small companies don't have as much data to contend with as their larger counterparts. The downside is that corporate data, regardless of company size, is seldom organized in one repository to afford streamlined conversion. In many cases, business processes are performed manually, and current and historical data, which might reside in home-grown or proprietary enterprise systems or, in a series of disparate functional applications, all need to be included in any new system.

This information needs to be extracted, cleansed and converted, and ample time must be allotted for these tasks if the new technology is to use the corporate data effectively. The adage "bad data in, bad data out" couldn't apply more directly than to building a new business system. If the information brought from the old environments is inaccurate in any way, the new system will not be any better, and vast amounts of time and money will be required to repair it.

9. Don't Forget the Afterthoughts

It is imperative that both training and technical support be a part of the overall implementation budget, especially in small companies that lack internal IT resources. ERP is not just a back-office application or a manufacturing distribution tool. It is a business information system that will alter the way the company operates.

Whether training is held in formal classroom sessions or self-taught online, it is important not to shortchange this component. Adequate training of a new system pays huge dividends in maximizing utilization of its features and functionality, as well as a high level of comfort and confidence on the part of users. Training should be executed prior to implementation completion, so that users continue to be a part of the ongoing process, can verbalize issues during implementation and most importantly, are savvy in system use at rollout time.

Technical support at rollout and post-implementation is critical in ensuring that the new technology is working as expected. No matter how thorough the training and careful the preparation, there is a learning-curve for all with live use as well as unforeseen

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events. Vendor or integrator partners can provide the necessary assistance needed when users perform tasks for the first time.

Conclusion

Although a major commitment that utilizes resources, time and money, implementation of enterprise solutions in SMBs is a worthwhile endeavor if carried out successfully. Whether the company's motivation is driven by customer demands or by an internal drive for growth and expansion, the return on investment of such an implementation is typically significant. Greater productivity and capacity, more efficient workflow, a reduction in lead times and inventory expenses, lower operating expenses and higher employee satisfaction, and improved customer service have the farthest-reaching and most long-term results. Achieving these business goals will add significant value to any company, large or small.

Reviewing software product evaluations, doing due diligence on software capabilities and checking customer references can help identify the right solution; following a few key fundamentals will make the right solution become a success across the entire enterprise.

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