



GETTING IT RIGHT WITH ERP II

By Joe Fornadel

THE TERM ERP II IS NOT ABOUT NEWER, BETTER, FLASHIER TECHNOLOGY. IT'S ABOUT EXTRACTING REAL, TANGIBLE BUSINESS BENEFITS FROM ERP SOFTWARE.

In the latter part of the 20th century, companies expected enterprise technologies to provide the ultimate in supply chain capabilities. Integration, collaboration and optimisation were the buzzwords of sure success. It would seem a company only needed to purchase and implement these tools before their competition in order to see revenue sky-rocket and costs wither. As a result, companies around the world spent billions on enterprise resource planning (ERP), advanced planning engines and customer relationship management (CRM) systems. Unfortunately, this confidence in technology was misplaced. Only a very small number of implementations were successful.

Why did the majority fail? Immature software is partly to blame, but software alone was not the sole contributing factor. In their haste to attain the latest technology, companies did not take into consideration critical external and internal pressure points that define the business environment. Companies mistakenly

viewed ERP implementations as IT projects with little business involvement. As a result, most ERP implementations became part of the problem – functioning as poorly performing technology systems far removed from user requirements, rather than becoming key components in business growth and development.

With ERP II, the implementation focus shifts from being an IT project to being a strategic business activity. Companies who embrace this philosophy will make significant changes in how they staff and manage ERP II activities.

Early implementations driven by budgets and timelines missed opportunities to create value. This tactical approach did not consider the complexity and associated implications of business re-engineering. ERP II projects will be driven by the need to deliver robust business processes; the touchstone for a strong business process is when it is easier for an employee to do the right thing (follow the process) and utilise the system as a tool

(getting it right), rather than trying to find a creative way to workaround the system (taking a short cut).

This simple concept is difficult to put into practice. Why? There are three reasons: internal politics, corporate metrics and self-preservation.

INTERNAL POLITICS

Internal politics is the power struggle among middle managers and is directly proportional to the number of middle managers involved. The ensuing turf battles weaken the energy and focus of an enterprise and generate significant business process inefficiencies. Managers who want to maintain and expand their control often view simplifying processes as a threat. The impact of these activities can be readily observed in large companies who struggle to respond to changing market conditions. Even smaller companies are not completely immune to the problem.

It is a real challenge for ERP II re-engineering efforts to overcome internal politics and resistance to change. To achieve best results, an external group of specialists should guide the efforts of internal resident experts. Neutral outsiders bring fresh ideas and are free to challenge 'how it is done today' without fear of repercussion.

Unfortunately, it is difficult to find consulting firms with the necessary level of specific business and technical expertise to lead such efforts. Most firms have the one-size-fits-all mentality. They lack the industry specific business experience required to successfully drive process re-engineering.

Thus, a critical step in a successful ERP II implementation is selecting the right consulting partner. The consulting firm must demonstrate that they can command the respect of the internal resident experts, or they will not be able to lead them down the path of process improvement. All too often the consultant vendor selection is made merely on price. Quality consulting is not a commodity and should not be assessed as such.

CORPORATE METRICS

Redesigning corporate metrics goes hand in hand with process re-engineering. Metrics must motivate employees to do the right thing; many times, metrics actually encourage the opposite. For example, a planner or marketing manager receives accolades and a bonus from the president or COO for successfully expediting a special order for an important customer. Fellow employees quickly determine that 'fighting fires' is a highly valued skill in the enterprise. Meanwhile, the person who does a good job planning and avoiding problems receives little recognition with the perception they have an easy assignment. In this environment, all planners soon become expeditors and spend little time planning. People create fires so that they can be heroes putting them out.

Metrics are often overlooked as a part of business process re-engineering, yet they are a critical part of gaining user acceptance. Executives must offer strong and consequential support for new metrics to discourage working around the system (fire-fighting). Well-defined business rules will enable rapid

decision-making while maintaining an adequate level of control throughout the enterprise. Metrics turn ideals into action. Their importance cannot be understated.

SELF-PRESERVATION

Survival is a basic human instinct that must be addressed in an ERP II implementation. Gaining user acceptance for streamlined or automated business processes is difficult if employees feel such processes put their job at risk.

ERP projects were often justified by ROI calculations that promised a reduction in expenses. Employees naturally equate reduced expenses as a reduction in headcount; therefore, the project is viewed as a threat to their livelihood and survival. Users often do not openly oppose re-engineering activities. They do so passively by not identifying missed steps or minor problems with a process. They patiently wait for poor results to kill the project. Passive resistance in the user community must be overcome or re-engineering efforts will fail.

Time must be taken to educate employees concerning the strategic importance of redesigning the business. The primary reason for an ERP II implementation is not to reduce expenses but to sustain long-term growth – requiring existing employees to support that growth.

This approach will enable employees to appreciate that their survival really depends on the ability of the business to manage change and achieve long-term growth.

ERP II project managers need to give attention to developing company-tailored training and documentation. Education is vital for obtaining consistency, efficiency and unity of purpose. A critical mass of employees must understand how they fit into servicing the needs of the customer, and appreciation for tightly integrated business processes must permeate the enterprise. The knowledge profile of employees must resemble the letter T. Each must have a broad understanding of the business (top of T) while being an expert in a specific area (stem of T). ERP II adopters will need to give some thought to reorganising their internal organisational structures according to process teams rather than the conventional segmented silo approach.

Due to the strategic nature of the ERP II projects, only the best and the brightest business resources should be assigned to the ERP II activities. These high-calibre business resources are needed to define best-in-class processes that will provide the competitive edge for the business in the future. Their content knowledge and leadership will serve as the catalyst for driving the re-engineering efforts.

Is ERP II for everyone? No. Existing company cultural issues and external market pressures are formidable obstacles to overcome. Yet, for those companies who dare to achieve, the long-promised rewards will be well worth the effort. ■

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