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Best Practices for ERP Implementations

Few projects have as much potential for improving operations as implementing a new ERP system. At the same time, ERP systems are so integral to operations that change can be disruptive and overwhelming if not managed properly. An ERP implementation needs to be thoroughly planned with a great deal of care. To ensure that your ERP system goes in without a hitch, follow these best practices.

BEST PRACTICE **ONE**

Prepare

Document existing and proposed processes

You've probably already documented your existing processes if you're in a regulated industry or ISO certified. If not, start the process now. Your documentation doesn't have to be as rigorous as it would be for certification or compliance, but you will want to eliminate any non-value added steps that currently exist and ensure that your new processes cover all the necessary bases.

It is imperative to document your current processes "as is" and reflect the re-engineering effort in a documented "to be" process. This approach will maximize the input from company resources and bring the need to revamp legacy practices to the forefront. Resist the temptation to customize the new system to match the old by requiring people to prove why the new processes won't work as part of the change request.
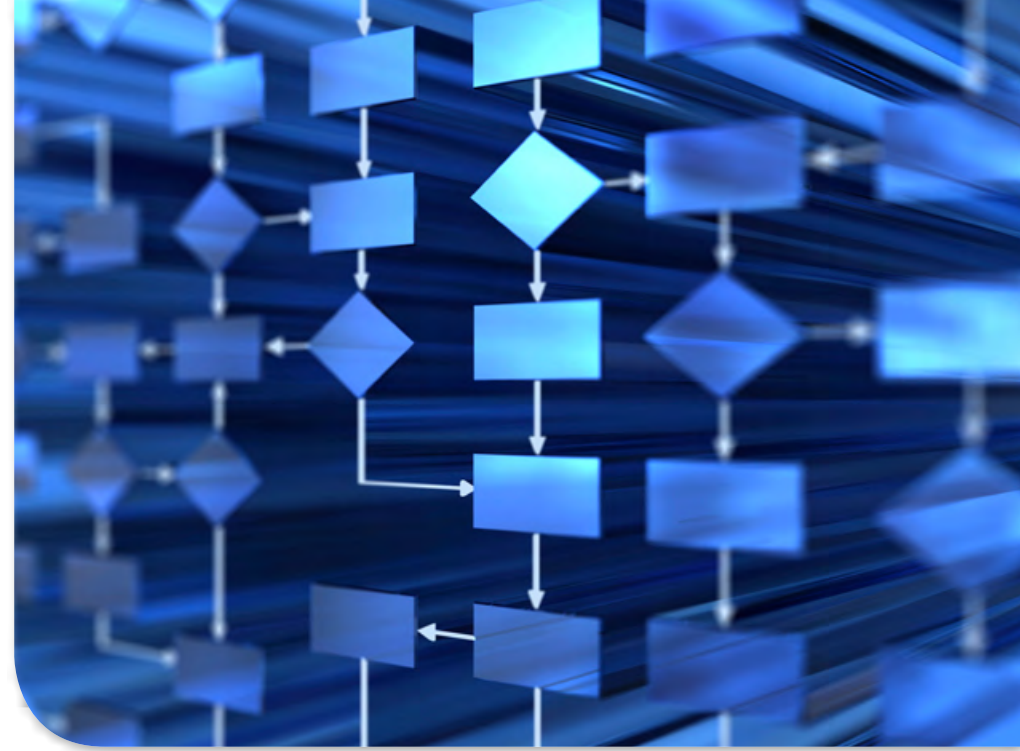
Perform data cleansing

If it isn't part of your normal routine, start working on data cleansing as soon as you decide to start the search for a new ERP system. Eliminating bad data will make the implementation go smoother since you won't have to investigate the errors and anomalies bad data can cause.

BEST PRACTICE **TWO**

Manage Your Resources & Project Timelines

Dedicate the right resources

It's tempting to assume that lay people can add implementation tasks on top of their regular work, but that isn't realistic in most cases. Select smart and experienced people to manage the implementation, and allow them enough time to devote to the implementation project. For key resources, the implementation may be a full-time job, but your company will benefit in the long run with a smoother implementation and more effective business processes.

The implementation site needs to have a full time Project Manager. Whether you use a consultant from your ERP vendor or an in-house project manager, you must have someone accountable for overall project management. ERP implementations are important enough to warrant at a minimum one full time person to manage the project.
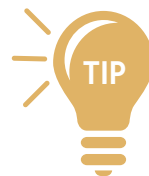
TIP Don't have the project management resources you need in house? Consider hiring a <u>consultant</u> from your ERP vendor.

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Manage your ERP implementation to both schedule & budget

Treat your company's ERP implementation as you would a major development or customer project. Nothing ruins the enthusiasm for a new system like continued delays in the go-live date. Managing the project in a way that prevents unpleasant surprises will pay off.

Implementing an ERP system takes a good amount of time and effort from both internal and external resources. It's often additional work on top of the tasks that people currently are responsible for performing on a day-to-day basis. If the implementation is constantly put aside to do "important" day-to-day work, the schedule will slip and the project risks failure. The question on priorities should not be an "either/or" question. Work and task planning must take into account the increased time demands of the project for all participants. Your project manager should assign resources and budgets to important tasks and hold people accountable for meeting their milestones and staying within budget—keeping in mind that people need adequate time to successfully complete their assigned project tasks.

Utilize workflow

Create visibility for project tasks and ensure adherence to your implementation schedule by setting up workflows for key events. Many of the implementation project steps require input from multiple people or teams, so workflow helps ensure communication. Workflow also provides visibility to management that the project is staying on schedule.

TIP

The Project Management Institute has a number of resources available to help you manage your implementation.

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BEST PRACTICE **THREE**

Test

Run a conference room pilot

A conference room pilot is invaluable for managing change. You may want to start with one or more small test runs and then progress to a full-blown pilot with people from all departments working together. This builds confidence in the system and helps to uncover any previously unidentified process glitches.

Prepare for printing and reports

If you print paper invoices, POs or other business documents on forms, make sure you allow plenty of time to design and test them out. Identify current key management reports and their equivalents in the new system. Socialize the new formats so people are familiar with them before they go live.

Every project holds a few surprises, but follow these steps and you will minimize the number of unexpected events as well as the impact of those that do occur.

Train

Don't skimp on training

One thing that can easily make or break any ERP implementation is the quality and quantity of user training. One of the biggest causes of implementation issues and delays is lack of understanding of the new processes and procedures. Many companies hope employees will just know how to do their jobs using a new system, but that is unlikely to be the case. In addition, training helps to alleviate fear of change and removes resistance to the new system and process changes.

Companies often overlook the importance of training in enabling the success of enterprise implementation. Training should be delivered in stages. At first, company team leaders should be trained during different stages of the implementation. The training should be delivered by a product and process expert. It should follow a methodical approach and be performed using company—to best represent real life scenarios. The second tier of training should be rolled out and populated to the rest of the company staff prior to the enterprise application "going live."

Offer project team training & end-user classroom training

It is not sufficient to provide a quick training class and submerge employees in a new system environment. This can result in severe anxiety for your users, poor adoption of the new system and a failed implementation. For this reason, your training approach should focus on developing user comfort with the applications they will be using. Consider dividing training into two types: project team training and end-user classroom training.

Project team training: Provide top-level training on the entire system to project leads and project team members. Training might include an overview of modules and how they are set up, as well as discussions on critical issues that will affect your company's use of the new system. This training should occur in the early stages of implementation.

End-user classroom training: This is the formal part of training. Set up a small training room at your facility where training can be provided on computers. It is important that users perform exercises as part of the training to increase information retention. This stage of training might include overviews of how to enter transactions, how to maintain data, how to use inquiries and reports and how to complete period and year-end procedures in each module.

Use your vendor's resources as much as possible

Educators know that people only retain about 50 percent of what they learn in classes and they lose the other 50 percent very quickly. If you only send a few people to training with your ERP vendor and then rely on those people to train the rest of the team, you will miss out on a lot of your ERP system's capabilities and best practices. Have as many people as you can attend training with your vendor to maximize your in-house knowledge.

Refresh training at least annually

People lose more knowledge over time, so if you rely on power users to train new employees, make sure they get refresher training at least annually. They may not have to attend classroom training for the refresher. Many ERP vendors offer online training or training at user conferences. You should also plan on training people with each upgrade to ensure you receive the benefit of new functionality.

Train as close to your planned go-live date as possible

The best way to help people remember what they learned is to put the new knowledge into practice right away. Although your power users and implementation team should receive training early, so they can plan the implementation properly, try to schedule training for the bulk of your users as close to your go-live date as possible to minimize the knowledge loss.

Ensure that power users have exposure to the entire system

Sometimes companies try to save money by only training users on the parts of the system they use on a daily basis. This may be fine for the typical user, but power users and the implementation team need to understand the entire system to ensure that you use your ERP system to its full potential.

Best Practices for ERP Implementations

Use a training database with your company data

It's hard to learn a new system's navigation, new screens and new business processes quickly, so don't compound the problem by using a generic training database with unfamiliar data. Take the time to set up your company data so users can test scenarios with information they know and feel comfortable with. This simple step can improve the quality of your educational efforts immensely and help users retain what they've learned because they can relate it to things they already understand.

Don't neglect the shop floor personnel

Many times people hesitate to train shop floor personnel because the transactions are simple and they don't want to adversely affect manufacturing efficiency and throughput. This is a huge mistake because errors in shop floor transactions affect inventory accuracy, delivery dates and costs. Time spent training up front will avert much greater time losses in the future—such as time spent tracking down and correcting errors.

Train on company time

Some companies try to save money by requiring employees to complete training on their own time after work or during lunches and breaks. This is a sure fire recipe for disaster, because employees will resist training and resent the incursion on personal time.

Use training teams

Always try to train people in small groups or teams made up of people from various areas of the company. Aside from the team-building aspect of this tactic, it also helps users understand how their actions affect other parts of the business.

Best Practices for ERP Implementations

BEST PRACTICE **FIVE**

Think Beyond Implementation

Eliminate dependence on tribal knowledge

Over time, employees at most companies develop an informal business system, otherwise known as tribal knowledge, that parallels and supplements the formal, official system. The informal system often takes many forms and frequently consists of items such as:

- Personal spreadsheets stored on PCs
- Sticky notes that delineate process changes that differ from the engineered routing
- Notes on easier ways to accomplish tasks
- Hidden caches of inventory for use in "emergencies"
- Setup or specification changes that never make it to the formal documentation

While information in the informal system is useful and pertinent, the result of relying on it rather than a formal system results in unexplainable cost variances, inaccurate inventory records and unpredictable delivery dates. Read on for a few ways to eliminate dependence on those informal systems and ideas on how to capture tribal knowledge to make it part of your formal system.

Get rid of the suggestion box

It sounds like a good idea, but a formal suggestion box is as likely to yield a wad of used chewing gum as it is a useful idea, because employees have learned that their ideas are not adopted or appreciated. Replace the suggestion box with multi-department, multi-level round tables and an open door policy predicated on mutual respect and openness. You'll soon find employees are more forthcoming with their valuable input when they trust you to respect their knowledge and insight.

Don't reward bad behavior

When someone pulls a missing component out of a hidden cache in their tool box or desk drawer, management is often grateful that the gesture saved a big shipment or kept the shop on schedule. The result is often misplaced praise, when it should be something closer to a reprimand. Yes, occasionally someone legitimately stumbles over lost inventory, but praising the find leads to deliberate stockpiling in the hope of being thought a hero again. The solution is gentle education about the importance of accuracy and the formal system.

Focus on continuous improvement & observation

Employees don't want to feel like Big Brother is watching their every move, but it never hurts to spend some time casually observing how work actually gets done and looking for variations from the formal process.

It's even better to put in place a formal process for continuous improvement—where input from everyone is welcome. Once employees know that you are genuinely open to their suggestions, they will be more willing to divulge their tribal knowledge so you can document it in the formal system.

The result for your company will be more accurate inventory information, better processes, more effective scheduling, higher quality and lower costs. In addition, your company will never have to worry about an individual leaving the company and taking invaluable tribal knowledge with them, because the tribal knowledge will be centrally located and available to everyone—exactly as it should be.

In Summary...

Experience shows that companies embarking on massive re-engineering in their core processes subject their enterprise implementation to higher risk. To avoid this risk, it is our recommendation that your company implement less re-engineering effort and more process enhancement. This will expedite your ERP implementation and cause less disruption to your company's culture.

We recommend an approach where there is an up-front analysis of your business issues including, but not limited to, company competitiveness, your long-term business objectives, your functional business processes, your business issues at an operational level, and your company initiatives.

With this information in hand, Exact MAX's experienced team of consultants can partner with you to ensure speed, ease and success of your ERP implementation and beyond. We offer continuous personalized guidance by bringing forth cutting-edge enhancement ideas, process improvements, reinforcement training and more. Our focus is on building a long-term relationship with our customers; the relationship doesn't stop after implementation is completed. Our consultants are an extension of your team for the long-haul.

Read more about MAX's consulting services >>

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About MAX

With decades of experience serving entrepreneurs, Exact understands the issues that manufacturing companies face when running their business. Exact MAX helps growing manufacturers control their resources with an easy-to-use solution that reduces the cost of manufacturing, automates manufacturing compliance, and improves profitability all while enhancing customer service and satisfaction.

Through seamless integration with Microsoft Dynamics GP and Intuit QuickBooks, MAX offers the power of integrated ERP and boasts a particularly strong footprint with manufacturers that must maintain compliance with government or industry regulations, manage recalls and control and document product revisions and engineering changes.

Contact us for further information about the products and services that Exact offers.

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