8 PITFALLS OF ERP PROJECT FAILURE

How to Avoid Common Project-Crushing Mistakes

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Deadly Project Management Pitfalls

Understanding the common reasons that ERP implementation projects fall short can save you valuable time, money, frustration, and possibly your job!

But What Constitutes Project Failure?

For purposes of this guide, we identify ERP project failure as not realizing the anticipated return on investment, extending the implementation schedule and go live date far beyond planned, going over budget by a large amount, stopping production and/or not delivering products to customers, or interrupting the organization so much that business suffers.

But this doesn't mean your project is doomed from the start.

Understanding the factors that can interfere with the project as well as best practices that lead to success is extremely important. In this guide, we'll draw on decades of successful ERP projects at RKL eSolutions to help you identify 8 common pitfalls and how to avoid them in YOUR implementation.

Pitfall #1: Overlooking the Purpose of the ERP System

Companies can focus too much on replacing the systems and functionality they have while failing to learn enough about the capabilities the new ERP system can deliver. In other cases, the ERP implementation begins without a clear understanding of the benefits that will be attained. As a result, they are not measured against the pre-implementation environment. In addition, many companies go through an ERP implementation without a step-by-step roadmap, making it difficult to achieve continuous improvement.

How to Avoid

Focus on process improvements, not just features and functionality. It is easy to lose sight of process analysis, expecting the software to magically cover up operational weaknesses. But the prime focus should be optimizing existing business processes and workflow, then tailoring the ERP system to complement them. However, be careful not to spend too much time trying to automate non- value-added processes in the new system.

You should also **start with the end in mind**. For example throughout the evaluation, RKL eSolutions defines and documents the goals of your ERP implementation project via a Summary of Findings, ROI projection, and detailed project scope with clear activities and success criteria.

Focus on process improvements, not just features and functionality. It's easy to lose sight of critical process analysis, expecting the ERP software will magically cover up any operational weaknesses.

Pitfall #2: Lack of Commitment from Top Management

Our experience shows us that if company executives and top management are not strongly committed to the new system, do not foresee changes that may be necessitated by ERP, or do not actively participate in the implementation, the project has a high likelihood of failure.

Top management often tends to delegate the implementation to lower management levels, which can lead to their being out of touch with critical events or lack the understanding of the scope, size, and technical aspects of the project. Top management must view the ERP implementation as a transformation in the way the company does business.

Additionally, the ERP implementation cannot be viewed only as an "IT project." If it is, it will never realize its full capabilities and it is likely the technology will be deployed in a vacuum, the software will not be aligned with business processes, and staff will resist using it.

How to Avoid

Employ a top-down approach in securing organizational commitment from top executives. Before an ERP implementation project starts, key management must define clear goals and objectives to achieve their vision for how the company will operate with the new technology in place.

These expectations must be clearly communicated throughout all levels of the organization. Oftentimes, lower level employees do not understand the company's strategic plans and how their individual roles affect them. Without a clear understanding of why the company is implementing a new system, people will tend to resist the change and find ways of maintaining the status quo. Without commitment from the entire organization, the capabilities of the ERP system will never be fully utilized.

It is imperative to secure buy-in from users of the new system and increase their stake in the success of the program. One of the easiest ways to achieve this is to have those who will use the system most serve as part of the core design team. This helps break down barriers to change by helping them to be more comfortable with the application and workflows.

Pitfall #3: Choosing the Wrong ERP System

Some of the biggest ERP system implementation failures occur because the new system's capabilities and needs are mismatched with the organization's existing business processes and procedures. Poor selection occurs when a company hasn't adequately developed functional requirements definitions or when the ERP project team doesn't take the time to run through the system's screens as they would during the course of their daily work to discover if the software's features will accommodate their needs.

For some ERP selection teams, it's tempting to choose a well-known ERP application. They find security in the popularity of the software or brand-recognition of the software publisher. However, ERP implementation success requires more than just popularity. While the well-known software publisher may boast thousands of installations, any given reseller/vendor may have installed only a comparative few. Even the best ERP software on planet in the hands of an inexperienced implementation partner will still result in project failure.

How to Avoid

Take time to evaluate and **select the right ERP system and partner**. Companies have numerous options when selecting an ERP system. While most packages have similarities, substantial differences do exist. In fact, an ERP system may impose its own logic on a your company's strategy, organization, and processes, forcing you to conform to the software capabilities.

You must feel comfortable with the vendor's view of best practices and how they will impact your business processes. You should select and implement a system that complements your competitive strengths while helping to overcome competitive weaknesses. Determine the critical needs you're trying to address and identify the desired features and characteristics of the selected system. We recommend that you focus less on features and functions and more on how users will perform tasks using the new solutions.

It is also important to check vendor references thoroughly. When contacting a reference, find out what role the contact plays at the company, what portions of the software he or she uses directly, and whether the person was directly involved in the initial implementation.

Questions to ask:
How much training and implementation services were needed from the vendor to get the system up and running? Was this accurately reflected in the vendor's proposal?

What modules were purchased and have they all been implemented or scheduled? What else do they plan to implement?

Even the best ERP software on planet in the hands of an inexperienced implementation partner or reseller will still result in project failure.

Pitfall #4: Poor Project Management

Managers may be surprised by the scope, size, and complexity of an ERP implementation. As a result, management sometimes does not initiate the necessary level of detailed project management planning and control. Short-cutting critical events in the project plan–such as time for documentation, redefining and integrating processes, or testing before going live–is a major mistake.

How to Avoid

Employ sound project management strategies. An ERP system is the information foundation of an organization. Correctly implemented, it combines industry best practices with state-of-the art technology that affects the way every function operates. But it is important to remember that IT plays a supporting role and is not the final objective. Unfortunately, because ERP systems involve the introduction of new technologies, some organizations off-load the implementation responsibility to IT specialists only. To realize the full potential of an ERP system, the technological aspects of the implementation must be managed as part of the larger program.

The implementation team should include representatives from all departments and functions. Guided by executive-level input, the team should have the responsibility to identify and examine existing business processes. Fully supported by top management, they should also have the authority to reengineer existing business processes or develop new business processes to support the organization's goal.

The implementation team should take a disciplined approach to project management, including a clear definition of objectives, development of a work plan, and establishment of a resource requirement plan. Milestones should be established, and progress against those milestones should be carefully tracked. Since timely decisions save time and money, management should empower rapid decision-making at the proper levels.

At RKL eSolutions, we utilize Project Management software to define the project scope, milestones, individual owners, and status of each stage specific to your implementation. This tool is shared with the customer contacts and used to communicate achievements while identifying challenges to remove obstacles that may disrupt a target go-live.

Pitfall #5: Inaccurate Data

Because of the integrated nature of ERP, inaccurate data entered into the common database will have a negative effect throughout the enterprise. Inaccurate data can lead to errors in market planning, production planning, material procurement, capacity acquisition, and the like. Failure to guarantee accurate data is entered into the ERP system will cause the system to lose credibility, and employees will become discouraged and frustrated by the new system.

How to Avoid

Processes to **ensure data accuracy** should be in place **before the implementation begins**, and they must be a top priority during the implementation. Educating users about the problems that data errors and mistakes can cause throughout the company can assist this objective.

Pitfall #6: Ignoring User Reluctance for New Applications

Some employees may be frustrated by having to learn a new software system. They may feel that they're too busy to be bothered and resent having to take time out of their schedule for training. Users may also be overwhelmed by all the new capabilities the system offers, and some employees may be uncomfortable with the realization that with better information, upper management can keep better track of what they are doing and the money they are spending.

User understanding and buy-in of the new system are critical success factors. If users don't understand how the system works, they will tend to invent their own processes using those parts of the system they know how to manipulate.

How to Avoid

Invest in change management. An ERP system will change the current mode of operation within and between functions. Companies that have successfully implemented ERP systems typically approach the implementation as an exercise in change management.

To assist in the process, select a highly respected executive champion to lead the initiative, backed by a strong project team and the steadfast commitment of top management. To be successful, the company must obtain a sincere commitment to the change process from all functions and all levels of the organization.

User buy-in is critical. If they don't understand how the new system works, they tend to manipulate the software and invent their own processes.

Pitfall #7: IT Staff Resisting Change

People have a natural tendency to be comfortable with the status quo and may be fearful of changes brought about by any new system. IT managers may be afraid that the new system will make their jobs more difficult, reduce their importance, or even cost them their jobs. They may have been very knowledgeable about their old system, having developed the skills necessary to maintain it. A new ERP system may create a great deal of uncertainty in some people as to whether or not they will be able to perform their jobs as well as they did under the old system.

How to Avoid

Invest in adequate education and training. An experienced vendor will provide extensive training to increase the knowledge base and comfort level of the IT staff who will be responsible for maintaining the system. It is imperative that financial support/budget be allocated to secure the training required so the new ERP system can be most fully utilized.

Additionally, top management should understand that education and training is an ongoing process. Much of the learning comes from hands-on use of the system during daily operations. The implementation team leader should keep in contact with all system users and monitor the use of the new system. Periodic meetings should be arranged with system users to help identify problems and share information gained through experience with the new system. Further training should be scheduled when appropriate.

Our project methodology includes training your IT staff on the functions necessary to support your technical environment before, during and after the implementation project. Key objectives include administrator responsibilities, performance optimization and best practices for disaster mitigation and recovery.

Pitfall #8: Unrealistic Expectations

Many companies miscalculate the amount of resources, time, and outside assistance required to complete the project. Additionally, management and users often expect to see immediate improvements once the system is installed. But companies should be prepared for some initial challenges after the new software is implemented, simply because a new system may be complex and difficult to master. As employees become more familiar with the software, the expected improvements will result.

How to Avoid

Focus on ROI, not expenses. ERP solutions can be expensive. As a result the company will want to justify its investment by regularly measuring the system's performance and impact on business operations.

To measure properly, companies should determine exactly how an ERP system adds value to their organizations. Since ERP can deliver value through a multitude of business parameters, it is important to select a few key performance indicators and focus on those that align with the company's organizational vision. The ability to quantify a measurable, year-on-year payback will show the investment was worthwhile.

Also, ERP implementations deliver greater ROI over time when scalability and integration aspects that impact business performance are kept in mind. For this reason, the ERP software should feature a robust technical architecture, effective data management practices, and a strong business intelligence backbone that is aligned with the current landscape and takes into account future business expansion, including mergers and acquisitions.

Conclusion

Most organizations today are already using an ERP system, but far too many are unable to truly optimize the capabilities and leverage functionality to its full capability to bring about real business process improvement. ERP software is only as effective as the effort and expertise of the implementation provider. Being aware of common reasons that implementations fail and knowing what best practices can be employed to help ensure success can save you valuable time and money and help achieve a higher return on investment.

At RKL eSolutions, our focus is on the success of your business (not just software) and our ability to implement your project on-time and on-budget. Our proven methodology, project management tools, and experienced team deliver results, enabling your organization to maximize the value of its technology investments.

Our expert consultants provide implementation, training, customization, and support for some of the most widely-used and recognized ERP applications including Sage 100, Sage Intacct and Sage X3.

About RKL eSolutions

At RKL eSolutions, our goal is to provide and perfect the design, implementation, and support of advanced information systems that improve our clients' business operations. We do this by providing consulting services and ERP systems with concentration on financial, distribution, and manufacturing solutions. We also provide IT infrastructure services, support, and equipment to your company.

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