Process Optimization and ERP Systems: how to navigate around the storm

There's a storm a-brewin'. You saw it start to form the minute you were chartered with optimizing processes to increase productivity and reduce costs. For not only do ERP systems require quite an invest-ment to implement and maintain, costs go up when they must be customized beyond their standard "best practice" set. There is pressure from the organization to limit customization to a minimum, even avoid it entirely to keep costs down. So, just how do you approach process improvement when important parts of your processes have a "Don't Touch" sign on them? How do you steer around what could be a Dorothy-style tornado heading your way, and effectively get to safe ground so you can implement the process opti-mization necessary to be successful?

Storm downgraded

The fact of the matter is, this situation doesn't have to be as bad as you think and can net some great results. The opportunity for optimization lies in any process, even those that are automated. The fact is, almost all major business processes will have human tasks involved, and there is potential for improvement of cycle times just in the hand off tasks and interfaces to other systems. When ERP is involved, the biggest challenge to identifying where there are opportunities for process optimization is ascertaining what parts of a process are truly automated and what are not. Leaders of process improvement projects frequently lack insight into how exactly the ERP processes work, not to mention any potential change to the system or system interfaces is outside their domain and requires IT resources to manage them.

True, it's tempting to focus only on processes that are not entwined in your most complex and expensive to change IT systems – but if your goal is to go after process excellence, you can't ignore a large and potentially critical part of your business operations that could benefit from improvements!

Forecast: Sunny

For process improvement to be most effective, you have to look at end-to-end processes as they apply to your business, not just as they are defined by the ERP vendor as packaged best practices. Here's how to bring it together.

1. **Prioritize.** Regardless of the mechanics, process improvements should be focused where the business will reap the biggest benefit. You might be able to produce fantastic Six Sigma results for your projects, but if those projects don't achieve meaningful results for the business, you haven't accomplished much. Start by aligning processes to key corporate goals and strategies to know where to focus scrutiny. If these processes are supported by your ERP, gather metrics for process performance as input as well as justification for your project.

2. **Comprehend the As-is**. In both Measure and Analyze phases of a DMAIC project, key aspects of current processes need to be captured, measured and analyzed for cause and effect behavior. A major chal-lenge lies in capturing how the automated process actually works, information that is typically housed within the system and not documented in a way that can be used and re-used during process improve-ment projects. Process structures should be shared from your ERP into tools used for business process modeling where interfaces to human tasks and other systems illustrate the end-to-end business processes. Project managers can then analyze how improvements and optimizations at every step of a process will impact the overall business.

Once these relationships are documented, they need to be maintained to reflect the current state of the organization so that your improvement initiatives can actually be…continuous.   BPM systems used should include a hook into the ERP system to allow accurate synchronization of the ERP process structure. Once you've created the BPM environment that models the interaction between manual and automated processes, the Measure and Analyze phase of any and every subsequent Six Sigma project is accelerated.

3. **Simulate the To-be**. What-if analysis is a fundamental tool to pilot process improvement to show how processes still flow appropriately to, through and from the ERP. With any luck you will demonstrate significant improvements that can be made to the process without ERP customization, now that you've got a handle on how it all fits together. Furthermore, simulation becomes even more important if you indeed decide that customization to your automated systems is part of the solution. Automated processes require IT resources to implement and test, there's no getting around that; so simulation of proposed improvements becomes doubly valuable when it can illustrate the outcomes before committing them to a run time environment.

Process optimization initiatives can and should span processes that are supported by automation since ignoring strategic processes in favor of easier pet projects will do nothing but undermine the value of process improvement teams and projects. Understanding and capturing the relationship of automated processes to end-to-end business process will open up process improvement opportunities, accelerate future projects and facilitate discussions between business and IT around optimization efforts.   You can navigate around all of the hurdles that come your way, and arrive at your final destination unscathed – process excellence.

Need a little help?

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