Key Success Factors for an ERP Implementation

Getting Ready for Success

One of the most common fallacies with ERP implementations is that organizations are prepared for the undertaking. Organizations need to not only recognize and understand the success drivers, but also to take action on related preparatory recommendations that support them.

The key success factors are:

1. Project Startup
2. Management Commitment
3. Project Scope
4. Project Team
5. Change Management, Communication and Training
6. Customizations/Modifications
7. Budget
8. Project Closure

Success is defined as getting what you want with the ERP implementation, on time, on budget and with a satisfactory Return on Investment (ROI).

1. Project Startup

Perform the due diligence of getting the project on the right track by preparing all the necessary information and communicating it to the appropriate personnel.

Recommendations:

- Prepare/review the business strategy.
- Prepare/review the IT strategy.
- Prepare/review the ERP strategy.
- Prepare/review the project scope (included in more detail below).
- Prepare the organization for process changes and the new system by applying the proper change management strategies and techniques.
2. Management Commitment

An ERP implementation is going to impact how a company operates by updating business processes and changing system transactions. IT should not be the only area responsible for the project. Senior managers and mid-level managers should be involved in the project from its inception to its completion. This gives the project the proper visibility across the organization and shows the staff in general the importance of the project.

Recommendations:
- Involve management in project sponsorship, a steering committee, issue escalation and issue resolution. This involvement will help to maintain management support and keep them informed about the project.

3. Project Scope

The core ERP system will most likely not satisfy all the needs of the organization. Develop the ERP strategy and understand the components of the ERP, and how it will fit with other systems and tools. Define your project scope from a position of knowledge, fully detailing what the project is going to include.

Recommendations:
- Understand the business requirements and plan how they are going to be satisfied.
- The ERP will satisfy some of your business requirements. Put together a plan as to how other business requirements such as data management, business intelligence, social media, etc. will be met.
- Document items that are not in scope.

4. Project Team

The core project team should be composed of full-time personnel, including a project manager and others representing the core areas of the business. If a consulting integrator is used, the core project team needs to have a good and cohesive working relationship with the consultants. Also, identify a set of resources from the various areas of the business to provide subject matter expertise.

Recommendations:
- Use proven implementation methodologies and tools for the project.
- Empower the implementation team to make decisions.
- The core project team should be in the same location to aid in communication.
- Create a competency center for post go-live support needs.
- Identify subject matter experts (SMEs) from pertinent areas across the organization.
- Project team to have a good working relationship with the consultants.
5. Change Management, Communication and Training

The ERP project will not only result in changes in systems, but also process and organizational changes. A change management team will be necessary for the organization to deal with the impact. The size of the team will vary depending on the size of the project and amount of changes. Training falls under change management, and the most common method is to “train the trainers.” Normally the software vendors or the consulting integrators will train the trainers, who are employees in the organization. This approach is most helpful, because the organization will end up with the trained professionals on its staff.

Recommendations:
- Create communication mechanisms such as a website, newsletters, road shows, lunch and learns, etc.
- Develop good communication between the project team and the organization as a whole.
- Key users should be involved with the project and its progress, as this will aid in acceptance of the changes.
- Create a business case that shows the changes to processes and system functionality, and also the benefits brought about with the changes. Share the business case with the pertinent individuals within the organization.
- Hire a third party to perform an organization readiness assessment.
- Be prepared to train during the project and after the post go-live date.

6. Customizations/Modifications

Most ERPs are built with embedded best practices. An organization must keep a tight control on the customizations, as they may diminish the application of the best practices. These modifications may result in an increase in scope and budget as well.

Recommendations:
- Study other ERP implementations in the industry and see what customizations were required.
- Perform a gap analysis and prioritize the gaps (High=Required, Medium=Workaround Exist, Low=Nice to Have).
- Set clear expectations on the company’s position regarding customizations.
- Create a process by which a business case must be created for every customization.
- Be prepared to maintain these modifications as the software vendor releases new versions of the software.

7. Budget

Organizations must create a realistic budget to include all costs for the implementation, such as software, hardware and staff resources. Most organizations expect a timely Return on
Investment (ROI) from an ERP project. Some companies reduce the project budget in an attempt to improve on the ROI. The areas most commonly reduced are change management, training and project management.

Recommendations:
- Create a good estimate of your implementation costs and keep tight control of the costs.
- Do not cut costs in change management, training and project management. Instead, consider rapid implementation methods and tools. Some of the consulting implementers offer these methods and tools.

8. Project Closure
Having good project closure is just as important as the project start up. Personnel need to have clear lines of communication as to when the new system is going live and when the legacy system is being decommissioned. This also applies to the introduction of new business processes.

Recommendations:
- Communicate clearly when the new system is going live and when the old system is being decommissioned.
- Communicate when new business processes will go into effect and old processes will be disabled.
- Prepare to transfer system support functions from the project structure to the on-going system support structure.
- Audit processes and system transactions to make sure they are working as planned.

Summary
Organizations exploring an ERP implementation must take into account these key success factors and recommendations to achieve greater success with their ERP implementations. These drivers are common areas that most system implementation projects need to address.

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Reference: Gartner: Address Six Key Factors for Successful ERP Implementations.