

ERP Project Management – An Activity Based Approach

INTRODUCTION

A concern for many ERP (Enterprise Resource Planning) project managers is how to control the risk of the ERP project. How the project manager controls the critical phases of the project has a direct result on the outcome. There are seven critical activities in ERP projects that need to be managed. By managing these activities the project manager streamlines the control process and adds value by not wasting time on less relevant activities. The critical activities for streamlined ERP project management are:

1. Embrace Overall Goals and Objectives
2. Defining Requirements
3. Review As Is – To Be
4. Use Proto-education
5. Business System Test/Conference Room Pilot
6. Execute Timely Cut-over/Conversion Processes
7. Going Live and Beyond

These seven activities are the crux of any ERP implementation. Manage these activities well and you will greatly enhance your chances of a successful project.

Activity One: Embrace Overall Goals and Objectives

The first area that deserves consideration before the ERP project begins is, what is the project trying to achieve? Why are we doing this? What is the payback going to be? It is imperative that senior management defines these objectives and embraces the project up front. Many companies accomplish this by forming a steering committee composed of senior executives to drive these goals and objectives. The executive steering committee has two functions. The first is to advise and act as a sounding board for the ERP project team. The second is to help with the resolution of issues that cannot be settled by the ERP project team. One of the main reasons for failures of ERP projects is caused by the lack of direction and support by senior management. Senior management must provide the oversight and support required to make the project successful. The goals and objectives must be disseminated through the organization and become well known to all levels of the organization. The goals and objectives should be put into a formal project charter before the project begins.

What is in the project charter? This document can vary in length, but it should basically state in concise terms: what the goals and objectives of the ERP project are, who is responsible for the outcome of these objectives, who will participate in the project, what the timeframe will be, a list of deliverables, what are the project policies and procedures, and how will people know when the project is completed. The project charter becomes the formalization of the first activity.

Activity Two: Defining Requirements

Ask any engineer if they have ever created or designed a complex product without a design document. The answer should be NO! Putting into place an ERP system is no less complex. In reality, ERP implementations are the designing of the information system for a business. If the requirements are not defined in advance and well understood, the result may turn out to be a composite of what other people think the system should be rather than what is right for the business. If left to software implementers, the implementation will be their version of how they think the business should be run. Defining requirements should consist of an overview of how the new system will function, a list of specific required business functions and processes that must be able to be performed in the new system, and finally the policies and procedures that will need to be in place to support the new system. Input will be required from many parts of the organizations to fill in the detailed requirements. It is this input from throughout the organization that makes the requirements reflective of the organization. The defining of the project charter and defining of requirements should be completed before the ERP project is officially started.

Activity Three: Review As Is/Create To Be

It is necessary to make sure that all business processes are in place and supported with policies and documentation before the ERP system is implemented. To construct processes to either support software after the implementation, or to design business processes on the fly is a clear recipe for disaster. Review As Is/Create To Be means to review the current business processes (As Is) and define any desired changes or new processes (To Be) that the organization would like to put into place. Reviewing As-Is processes serves two major purposes. The first is that gaps in existing functionality and missing processes come to light. This exercise can be considered a gap-analysis for comparison with the To-Be design. This forces to the forefront any processes or procedures that conflict with the business and gives visibility to make sure that any new process are compatible.

The second phase of this exercise is to define the To-Be or the way the functionality of the system will interface with the business processes. This is where the possibilities of the new system come into reality for the users. It is this point in the project that the users of the system can put forward the innovative ideas that can result in huge savings for the company.

Activity Four: Use Proto-Education

All too often, software implementers use canned knowledge tools for customers when it comes to the education of their software. The education provided by the vendor can range from an inept slideshow to hands-on training of the product. The training that is provided by the software vendor is one of the most critical elements of risk in the ERP implementation. The project manager must make sure exactly what kind of training is going to be provided before the contract is signed. Many software vendors use test data in the education of their software. This test data more often than not consists of products and items that do not reflect what the customer makes and many times will not have any resemblance to the working environment of the customer.

Proto-education provides a saving grace for the ERP project manager. Proto-education could be defined as using your real company data in a test environment to simulate the ERP package software running your business. This means loading a subset of your items, bills-of-materials, routings, customers, suppliers, etc. into a test environment for simulation with the ERP software. By loading your actual data, you provide the user with a look and feel of the information that they use every day and any gaps in the software will be much more visible. Using proto-education combines the software-training phase with prototyping. Instead of running a boiler-plated script for learning furnished by the software company, the testing of business processes begins immediately with the software. There will need to be some basic navigational training of the software in the beginning, but the actual processes (i.e. entering sales orders) are started right away. The user learns the software while testing with data that is used in the business. The added benefit is that, in many cases, a total of up to six weeks can be shaved from the implementation timeframe by using this technique. This is based on an implementation timeframe of six months or more. Results will vary according to the length of time of the project. The time saved can be put into other areas of the project such as Conference Room Pilot, etc. The use of proto-education not only saves time, money, and reduces the risk of project failure, it provides a much more comprehensive and cohesive way to introduce the user to the software.

Activity Five: Business System Test/Conference Room Pilot

Without a doubt, the Conference Room Pilot is where the rubber meets the road in ERP implementations. The definition of the Conference Room Pilot (CRP) is a trial run of pre-defined business processes through the new system in a test environment using real business data from the organization. The CRP is designed to be the final verification that the new system is set-up correctly to function in the live business environment. It is also the last chance to test the people and processes that are going to support the system before going live. The CRP can last anywhere from a couple of days to a couple of weeks.

The larger the system and the more functionality being installed, the longer the CRP. All functions, plants, and personnel should take part in the CRP. The Conference Room Pilot should be conducted by the end users of the software with as little assistance as possible by the implementation consultants. The ability of the software to successfully conduct business should be shared with end user and senior management alike. A successful CRP sets the stage for the transition into the cutover phase.

Activity Six: Execute Timely Cut-over/Conversion

After all of the analysis, education and testing of the new ERP system. A decision is made to begin the go-live process and cutover. What cutover means is that data from the legacy system is moved into the new ERP package software. Parameters are set, interfaces completed, end user education is completed, and final system preparations are carried out to support going live. This phase of the project carries perhaps the greatest risk to the project manager. Once the conversion begins, a company is committed to going live and any slippage of the cutover schedule has a financial price that will have to be paid. A clear schedule must be defined in advance and carried out to exact detail to assure success of this phase of the project.

One of the biggest problems that occur in this phase is the mapping of data. In many cases the data is mapped in advance from one system to another then automatically loaded. This is a good technique that can run into serious problems if the mapping (matching of information fields from one system to another) is not correct. Conversion of the item master, inventory values, and suppliers are types of information that are automatically converted. Current sales orders, purchase orders, and production orders are types of information that are more commonly keyed-in by hand rather than being migrated from the old to new system. High-risk information files are the ones most targeted for manual entry. Other issues such as when to stop production, when to stop taking of sales orders in the legacy system are other timing issues that will have to be decided.

Activity Seven: Going Live and Beyond

The go-live date has passed and the new ERP system is now running the business. People within the organization are now considering the implementation a roaring success and the ERP implementation team has been disbanded. A job well done! But is the job really done? In many organizations that have just gone live on a new ERP system this is the scenario. The reality is that the real work is just beginning. The ROI and goals that had justified the purchase the system has yet to be achieved. In fact, it may be months before any detectable signs of improvement are noticed. It is well known that when any

new task or activity is learned, that a period of inefficiency occurs as part of the learning curve. As the activity becomes more familiar to the person performing the task, the previous efficiencies return. We have all had this experience at sometime in our life when we learn something new. When a new enterprise-wide business system is implemented at a company, a learning curve happens, but on a much larger scale. The more departments and processes the new system touches, the steeper the curve. If the scale of the change is large enough in a company, a different and more complex phenomenon occurs. A learning curve does occur on an individual level, but also a sharp decline in performance metrics can also occur at the company level. This phenomenon of declining performance at the company level is sometimes referred to as the 'Valley of Despair'. This valley describes a fall in performance metrics followed by a slow rise to previously established performance levels. The 'Valley of Despair' is a natural reaction to a major change that occurs at the company level when the new business system is implemented. But it can be lessened and managed with the setting of proper expectations.

Conclusion:

The focused management of these activities by the ERP project manager will enhance the success of any ERP project. Placing a major focus on these activities and setting expectations around them will help create a sense of direction within the project and organization that may not otherwise occur. Assuming the software purchase is viable for running the business, unsuccessful projects almost always can be tracked back to an activity mentioned here that was not well managed. Focus your efforts on these specific activities and your exposure and risk to failure can be greatly reduced.

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