

Getting ERP Right the First Time

Achieve your goals while avoiding common problems

By Rick Goree

ERP in the Cloud: The New Big Thing

Within three years, half of US spend on ERP¹—which in 2015 totaled \$29.6B¹—will be spent on cloud-based ERP systems. And for good reason: ERP cloud services help drive business growth, improve agility and scalability, and drive innovation while reducing costs.

But how can you be sure you're getting the most out of your investment? While sales are going strong, success rates for ERP programs aren't. Three quarters of ERP projects fail to meet their objectives¹, and 40 percent cause major operational disruption after going live². Furthermore, 65 percent of ERP projects are over budget—and only 25 percent are completed on time.

With numbers like that, it's a simple leap to assume that ERP systems aren't bringing value to the business.

What's Going Wrong?

Generally speaking, companies move to new ERP systems primarily to replace old ERP systems—when they *should* be replacing them in order to transform their business. To maximize the value of a new ERP system, it's critical for the enterprise to take a more thoughtful, strategic approach to ERP.

Below, we'll explore some best practices for getting the most out of your ERP system.

Preparation is Everything

Many ERP implementations fail because the organization didn't plan mindfully. Moving to a new ERP system isn't just switching to a new software application—it's an opportunity to transform your business. As such, it should be led by the appropriate business leader. It's vital to draft a business case that details clear business goals, stakeholders, measurable benefits, and a roadmap, not to mention any industry-specific requirements you may have.

Successful efforts include change management, as well. You're not just buying a solution; you're moving to a new set of business processes. Get your employees on board and you'll see better adoption rates.

Finally, enlist an unbiased outside source for a readiness assessment. You know your business better than anyone, but you may not be able to see the forest for the trees. Readiness assessments don't just help you plan for success—they also help you:

- » Identify stakeholders

- » Define scope
- » Develop your business case
- » Analyze impact and assess risk
- » Assess your organization's capabilities
- » Plan for implementation

Choose Your Solution Carefully

Laying the groundwork with careful planning isn't just a best practice—it'll also help you choose the right ERP application and service provider for you. Base your selection criteria on the goals you outlined in your business case, the targets you want to hit in your roadmap, and the gaps you identified in your readiness assessment. Work with a system implementer who works with multiple software vendors to get an unbiased view of the application that best suits your needs.

When you ask vendors for demos, ask them to focus on specific business processes and outcomes you've identified as high-priority. Look for vendors who focus on outcomes (not just applications), and who take a big-picture approach. And make sure your vendor can help you manage change, instead of just deploying new software.

Finally, be aware that no one ERP system—and no one vendor—can meet all your business application needs.

Design to Align

It's critical to design your new ERP system to align with the business, from program structure to governance. Take a close look at your business processes to make sure they still work for the organization, and then design your ERP system around that. But resist the temptation to over-customize: keep it flexible so you can make changes as your organization grows and new technologies come to the fore.

Make sure you allow plenty of time for design, including getting input from key business leaders and business units. Your ERP system will be more successful if you incorporate scenarios from all the different teams who will be using it. Additionally, make sure to allot sufficient time to refining your business processes.

Don't neglect to build in regular audits or health checks—you'll need to make sure the program is on track to meet your business goals. Regular health checks not only help you maintain progress; they also help keep up momentum.

Let Design Guide Implementation

Once implementation begins, it can be tempting to make decisions based on the needs of the moment, but it's important to base any decisions on the foundation you laid earlier in your process. Let your decisions be guided by the business goals you defined at the outset.

During implementation, remember to benchmark your progress against your business goals so that you can prove the value of your new ERP implementation to leadership.

The Bottom Line

ERP implementations are expensive and time-consuming—so the business needs to see value from them. To make sure you're making your case, it's critical to define your business goals right up front and plan for how you'll achieve them—and then carry that framework through the design and implementation phases.

¹“Forecasting Overview: ERP Software, Worldwide, 2016,” Gartner, *October 2016*

²Panorama Consulting, 2015 ERP survey