



How to Start an ERP Project, Part II

“ When it's done right, ERP is a launching pad to transformative growth. ”

This is the second in a two-part series on how to launch a successful Enterprise Planning Resource (ERP) project. For more information on ERP in plain English, check out our Knowledge Centre.

In Part I of this briefing, we defined ERP as integrating all your company's core processes into a single system—finance, HR, manufacturing, supply chain, services, procurement, whatever else you need to run your business, back-end and front. We also discussed how ERP can help your business grow and what to look out for when considering ERP products.

Why is this stuff so important? Because when ERP is done wrong, it gets very expensive, not to mention causing more of the stress and frustration you were hoping to squelch by implementing the project. And when it's done right, customers are happier, employees are freed from menial tasks, and all the separate parts of your business have access to the same information in real-time. ERP becomes a launching-pad to transformative growth.

Below, we'll provide more detail about the right way to launch your ERP project. But first, let's take a more detailed look at how to know it's time to get started.

8 signs it's time to implement a new ERP project

Of course, your company may not exhibit all of these signs. But if you're seeing one or more of them, there is a strong chance that you need to start planning for a new ERP project:



CEO's Briefing

“ An ERP project typically has twenty or more such key objectives. And—this is important—the board has consensus on each of them. ”

1. **Your existing solution has serious support problems.** Are you having frequent disputes with your suppliers? Are support costs going up or existing products no longer supported? Or is there simply no one to talk to when you have problems? The whole point of an ERP system is efficiency, so support problems are a strong indication yours isn't working anymore.
2. **You're driven to distraction by rekeying, data issues, and workarounds.** Every business has its workarounds. Yet yours have become a serious problem. You're wasting money on staff who merely help you cope, rather than serve your customers. Perhaps what started as small manual tasks have mushroomed as your business has grown. Or you implemented separate solutions for different parts of your business, and data don't flow between them. Any one of these issues waste a lot of time and effort, as well as creating friction between individuals just trying to do their jobs.
3. **It's time to redesign how your business operates.** If your company has grown but economies of scale have not materialised, it may be due to your processes, structure and/or technology. And sometimes the depth and complexity of the problems are so great that the only solution is to redesign the business from the ground up. A new ERP project is an opportunity to re-focus on what your customers actually value.
4. **Back-office systems are hindering your marketing plans.** You and your CMO have some great new ideas, but back-office solutions have become the barrier to progress. A new ERP project may then become an opportunity for transformational growth.
5. **You have a new digital vision, but your business isn't quite ready.** Companies approach us because they have a vision for a new digital front-end. But you can't bolt a digital front-end onto a business that does not have streamlined internal systems. Before any of that can happen, back-office systems need to deliver accurate, up-to-the-minute data; real-time integration; and reliable processes and timescales.
6. **Your current systems can't cope with growth and investment plans.** Perhaps you've had new investment, a leadership change, or a new partnership. Whatever the reason, there's now a new vision for expansion, but your existing systems are a choke point. A new ERP project can not only streamline the existing business, but it can be the necessary enabler for the next stage of growth.
7. **You have major customer service issues.** Ineffective back-office systems can damage customer service—creating delivery issues, billing problems, and other errors. Customers may tolerate this once or twice, but if it keeps happening, they will go elsewhere. You'll also see the morale of your client-facing staff plummet. They get bogged down by unhappy customers or lose the energy to sell with confidence.
8. **You're having trouble staying compliant.** All businesses are subject to legal compliance requirements. In many cases there are additional, sector-specific or activity-specific requirements. It's just an unavoidable part of running a company. If your data are inconsistent and your back office is fragmented, compliance will become an enormous hassle. For a well-structured business with up-to-date systems, compliance isn't a problem.



CEO's Briefing

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The CEO's 5 strategies for getting ERP right

So, you've decided that you do indeed need a new ERP project. But before you start researching systems or listening to sales pitches, you need to strategise.

It's not the CEO's role to oversee the details of an ERP project. That's the project manager's job. But the CEO and the executive team do need to make important decisions beforehand to lay the foundation for a successful project.

In our experience, there are five key strategies to work out:

1. **Have clear and specific business objectives.** Many ERP projects derail because the company has never worked out the key priorities. When the inevitable glitches come up, they don't know how and where to compromise. So, your very first step has to be an open and honest boardroom discussion about the business objectives. What are the outcomes that you're looking for? Some examples:

- Redeploy four FTEs by avoiding any rekeying between the ERP and website
- Eliminate orders from customers on credit stop by eliminating the lag between finance and order processing
- Integrate with a new customer's ordering systems within about two weeks of contract signing

Of course, your own needs will likely differ. Just notice that the objectives above are (a) measurable and (b) can be readily assigned a monetary value.

An ERP project typically has twenty or more such key objectives, and it's crucial that the board have consensus on each of them. Because then there will be far less room for argument or subjectivity when the road gets bumpy. And later you'll be able to point back to your requirements document and show that it was all there in black and white from the start—clarity on your business objectives will avoid disputes internally and with suppliers.

2. **Assign clear ownership of the project.** Too often ERP projects are run by a gaggle of people with vague roles. The CEO absolutely must appoint a suitable expert with the necessary technical knowhow, business experience, people skills, and leadership qualities to run a complex project. (We would, of course, advocate one of our fractional IT Leaders to join your team.)

The CEO and this leader must then be clear on who is accountable for which aspects of the project. These people must have the space to do their jobs—avoid interrupting them with day-to-day issues so they can genuinely focus on the project. Of course, key people in the business are already stretched by their existing roles, so you'll have to be flexible enough to know when to reassign tasks or take on temporary staff to backfill other people's roles.

This can be uncomfortable for mid-market companies with ingrained ways of working. But a combination of flexibility and accountability is critical to the success of the project—plus you can see it as opportunity to develop people for the long-term.

3. **Have a rational system for choosing products and suppliers.** Some of the brightest minds in the IT industry devote their careers to marketing and selling the ERP dream. Margins on ERP products and consulting are immense, commissions are colossal, and the parties are legendary! Your only defence is to ensure you have a rational and systematic approach to selecting products and suppliers. And it can't be rushed—ensure you have the time to do it right.



CEO's Briefing

“ Two related reasons that ERP projects often go off the rails: data and processes.

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Start by getting a feel for the market. Create a shortlist of potential products and suppliers. Allow the suppliers to present their wares in their own way; get a feel for what you need and what's happening in the market. With your business objectives already drawn up, you have a great framework for the discussions.

Don't get drawn in by salesmanship! Some vendors will create stunning stories of what they can do for you and compelling reasons you should sign here right now. But these decisions will affect your company for years, so take your time.

Once you understand the available products and their capability, you can document the key features that you need and establish what your real priorities are—what's mandatory, what's optional. You can then issue this information to your shortlist, and they can document their proposals for satisfying your requirements. It's then possible for your team to score the suppliers' proposals in a rational way and make an objective choice.

Finally, there needs to be a reasonable price and contract negotiation. The price should of course make sense for your company. But suppliers need to make money as well. You want to be a valuable client, for whom they're happy to provide service. If you gut the price to the point where there's no profit in it for a vendor, don't be surprised if other customers are more interesting down the line.

4. **Outsource basic IT.** Insource data and ERP. Too often we see companies selecting precisely the wrong insourcing vs. outsourcing strategy. They employ internal staff to maintain basic IT, while relying on expensive suppliers to configure their ERP, or create reports, or wrangle data.

But basic IT is readily available at low cost from reputable suppliers. Fixing laptops, helping people who've forgotten their passwords, dealing with connectivity...it rarely makes sense for these services to be insourced. Whereas understanding your own data and reporting tools allows you to make intelligent decisions, empower managers, and gain new insights into your customers. The ability to configure your own ERP allows you to make changes quickly and inexpensively, as well as providing a deeper understand of the system that will hopefully transform your business.

A large ERP project will inevitably involve an external provider. But part of the delivery can include transferring those skills to your own team to ensure that you can make quick and simple changes in-house. This can make the difference between long-term success and failure!

5. **Get the data and processes right.** Two related reasons that ERP projects often go off the rails: data and processes. Both are complicated, and they require expert involvement from people who understand your business. But too often the new system is bent out of shape to fit existing processes, "because we've always been done it that way." And there isn't enough time to sort out data, so old information is shoe-horned into the new system, complicating your reporting and hobbling all that great new functionality.

It is critical to see an ERP project as an opportunity to simplify processes and to standardise data management. Every aspect—from process mapping, to data cleansing, to training—will need careful project management. Some of your best people will need to be involved, and they may need time away from their regular duties to make it happen. But they will emerge as better and more productive employees, with strong ownership and buy-in to the new system.



CEO's Briefing

How Freeman Clarke can help

ERP projects are large and expensive undertakings. They are a major exercise for the entire organization and will consume the attention all key staff and leaders for months.

Problems can become significant operational barriers, and they can be a real trauma for all involved. But when well-executed, a new ERP system will deliver savings, service improvements, better compliance, and provide a sound platform for digital expansion and future growth.

Freeman Clarke CIOs and CTOs are experts in all aspects of ERP products, providers, and projects. And we work entirely in the interests of our clients, with no commercial connections to any supplier or product. We simply use all our skills, knowledge, and experience to make our clients as successful as possible.

Freeman Clarke is the largest and most experienced team of IT leaders, recruiting the highest-calibre CIOs and CTOs. We provide them to our clients on a part-time basis to lead their digital and software initiatives in order to drive their business growth. If this sounds intriguing to you, get in touch for a low-pressure chat about ERP, or any other aspect of IT and your business.



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