PART ONE: PLANNING FOR ERP

A SURVIVAL GUIDE TO ROLLING OUT A NEW ERP SYSTEM
Add into the mix the fact some organisations are yet to invest in an ERP system at all and it becomes clear that the majority of businesses are doing more than simply missing out on the latest functionalities - they’re leaving themselves vulnerable to inefficiencies, data errors and losses, and information silos.

So if the stakes are so high, why are businesses reluctant to invest in ERP systems or upgrade old software?

For companies yet to invest in IT infrastructure, horror stories in the media of implementation failures, fear over the size of the project in terms of cost, risk and resources, and the sheer volume of ERP solutions on the market act as deterrents. Meanwhile, other organisations are clinging to old systems due to perceived costs and disruption, bad experiences, risk levels, and a lack of resources.

Yet rolling out a new ERP system doesn’t have to be a nightmare. If projects are approached in the right way, there is no reason why companies can’t adopt the latest software and improve their business without breaking the bank, disrupting operations or taking on excessive risk.

Experience shows that it all boils down to good planning and focusing on business requirements in the short to long-term. By thinking ahead and laying down strong foundations for the rollout of new IT infrastructure, organisations can negate common pain points and ensure software integrates seamlessly and functions with the business long into the future.

In Part One of our survival guide to rolling out an ERP system, we’ll look at the importance of planning when beginning a project, addressing what companies need to consider when buying a new ERP system and starting the implementation process to ensure they can successfully roll out a project.

To get an ERP project off the ground, it’s important to first realise the need for change.

Research from Modis has found that nearly half an hour is lost per worker each day because of old IT systems. What’s more, one in five staff waste 45 minutes while IT programmes open, web pages load or programmes crash. This equates to around 12.6 million hours lost per working day in the UK.

These inefficiencies are likely to be even greater when looking at companies without any IT infrastructure at all, thanks to labour-heavy processes, inaccurate untimely data, and an inability to collaborate in real time. This all has cost and service implications for a business, which limits the ability of a company to grow or even function as best as it can.

Despite this, many organisations are still reluctant to invest in or change ERP systems.
FEAR OF CHANGE

Findings from a K3FDS survey showed that 82% of companies believe updating their ERP would be disruptive to the business to some extent. 48% are concerned about the complexity of software, 37% worry about the lack of clarity and misleading claims around project length, and 21% are concerned about the lack of guidance and support from their technology partner.

However, tellingly, 27% of respondents admitted to having an unsuccessful ERP rollout due to a failure to budget overspend (55%) and a lack of transparency regarding the process involved (53%) - two conditions that are avoidable through proper planning.

In “The value of updating ERP”, Aberdeen Group identified that best in class companies are 46% more likely than other organisations to be at least one ERP version ahead of their contemporaries, gaining greater competitive advantage.

WHY DO BUSINESSES SWITCH SYSTEMS?

Businesses choose to make the change to new systems for many reasons. 55% of companies told Aberdeen Group that they decided to upgrade their ERP system due to a lack of support from their existing ERP vendor, while 42% did so because of an inability to tailor their existing solution to changes in the business (such as new processes, new business units and new regulatory requirements). 29% replaced their ERP software because of a lack of qualified resources to maintain and support the current system and 24% made the switch because of an obsolete technology foundation or infrastructure. An inability to support a growing business/overseas expansion or utilise new technologies such as mobile devices are also common drivers of ERP change.

BENEFITS OF CHANGE

For those that invest in new systems, research shows that the benefits are multifold. 53% of companies using the latest ERP version can utilise best practices contained within an ERP solution, compared to 47% not on a new version. 34% can share and integrate data with the extended enterprise, compared to 20% on old systems. 42% can collaborate in real time to gain insight from reports and views, versus 22% who aren’t on the latest ERP version. What’s more, 40% on new systems can access and tailor reports in a self-service capacity, opposed to 3% on old software. Additionally, 37% on the latest software can quickly adapt their solution to respond to changing business environments, compared to just 18% on outdated software versions.

In the current climate, this level of insight and responsiveness is crucial to allow an organisation to manage and react to changes in its industry.

New ERP systems are also important to enable businesses to cope with changes in the way people work. Remote working is becoming more common and employees expect to be able to connect to the office and their data even when they’re not at their desk. This is unachievable on the majority of older systems. However, 30% of companies on the latest ERP version can access ERP systems from mobile devices, 22% can harness activity streams or collaboration portals and 35% can have ecommerce integrated into the system.

Stephen Clarke, ERP Sales Manager at K3FDS, said: “The modern business needs a different level of functionality than they did in the past and old ERP systems - or worse, no ERP system - simply can’t cope with these demands. The first step to solving this problem is recognising deficiencies in existing ways of working and the sorts of benefits newer systems can bring. From here businesses can identify the sorts of things they need to change in order to truly perform and put in place a proper plan to do so.”

As mentioned in the above chapter, when the time comes to invest in an ERP solution, you have to think carefully about the sorts of problems you’re trying to solve both long and short-term and what the roots of these problems are.

Are you are over-reliant on paper processes? Is your current system unable to support you as you expand? Do you have a problem with stock? The answers to questions like these will help you determine what you’re looking for from your ERP project and what you want the future to look like.

Once you have identified the problems that you’re trying to solve you then need to ask:

1. **Do we have a clear vision for what we’re trying to achieve?** Companies need a clear, tangible idea of what they want to achieve from their ERP system so they can make the best choices, justify investment, measure success and ensure they come out ahead at the end of the project. This vision needs to focus on more than just the day-to-day benefits. Specifically it needs to look at the bigger picture and the longer term payback to the business.

2. **How and where will we be adding value?** This question links back to determining the problems you’re trying to solve. You need to think about which areas of the business the ERP system will or should touch upon, what savings or gains it will create and how this will improve the way you operate.

3. **Who do I need to get involved in this project?** Planning for and managing an ERP rollout is made or broken by the people you have involved. You need to ensure you’re bringing people into the project who have the best knowledge of the business, are capable of making the right decisions and can play a key role in bringing about change. These are often your best people and you’ll need to ensure that you can spare them from other projects. Remember that ERP rollouts take a lot of commitment, so resource availability should always be a consideration.

4. **Do you have a realistic budget?** Organisations need to create a realistic budget to enable them to deliver on what they’re trying to achieve. This is usually around 50% software and 50% services and consultancy.

5. **What can be done from the start and during the project to ensure end users adapt to change well?** Projects often fall flat when they’re handed over to end users. While much of this is down to poor training or training at the wrong time, there is a tendency to keep people in the dark when projects are taking place. This means that by the time they need to get involved, there is a considerable lack of awareness. By planning properly, businesses can get end users prepared straight from the beginning and open a dialogue. It also ensures end users are engaged with the project and understand why it’s happening, meaning they’re much more likely to follow procedure when the time comes.

These questions will help you form the foundations of a plan for an ERP rollout. It’s important to remember that in reality an ERP project often begins before you even select your solution, so getting the above right is crucial for the next steps.
WEIGHING UP YOUR ERP OPTIONS

When you have determined the goals of your ERP project, the problems you need to solve, and how you can prepare for the change, it’s time to go in search of the right solution, vendor and business partner.

While ERP systems may sound the same to the layman, there are actually lots of nuances to the technology: Get the wrong system and your project will be at risk.

Consequently, the right business partner and vendor are crucial to help you select the right tool to do the job, whether that’s an off-shelf solution or a more bespoke package. Indeed, failure to secure the best business partner and vendor is a common reason cited for ERP failure. More than four in ten (45%) told K3FDS that they would demand more support from their technology partner in future and 37%

A good business partner will be looking to match you with the right solution and to ensure you have everything in place to run the project. They will take the time to understand the problems you want to solve, why these problems are happening and where your business needs to be in the future, before matching you to the relevant ERP system.

Clarke said: “We try to be quite respectful of our clients and do it in the way that they want to do it, so take our time with them, go into lots of detail and try not to rush them through a selection process. We find this approach works really well.”

By taking this time to walk through solutions, organisations become more informed, which increases their likelihood of properly planning and executing an ERP rollout.

THE RISKS OF POOR PLANNING

- The average ERP project overruns by around five weeks
- Organisations exceed their original budget by an average of almost a fifth
- Overspending is most likely to be the results of internal resistance (42%), too much customisation (42%) and a lack of understanding of the business requirements (42%) – all hallmarks of a lack of proper preparation for an ERP project.

CHOOSING THE RIGHT ERP SYSTEM

The following is a summary of the key elements of an ERP solution that best in class companies go in search of:

64% FUNCTIONALITY
56% EASE OF USE
44% TOTAL COST OF OWNERSHIP
28% MUST BE AN INTEGRATED SUITE
28% EASE AND SPEED OF IMPLEMENTATION
21% ABILITY TO TAILOR FUNCTIONALITY WITHOUT PROGRAMMING
21% GLOBAL CAPABILITIES
18% RELATIONSHIP WITH VENDOR
SUMMARY

Organisations in the UK are in need of new ERP systems, whether this is because they are on outdated software or because they never had the IT infrastructure in place to begin with. Companies that don’t have up-to-date ERP solutions will find that they are faced with inefficiencies, data problems, information silos and poor visibility.

However, without proper planning in the early stages of rolling out new ERP systems, the endeavour can be a harrowing one. Indeed, organisations are likely to find deficiencies and barriers as they start to implement an ERP solution if they haven’t laid the proper foundations.

To begin an ERP project in the right way, companies must:

• Recognise the need for change
• Identify the problems that need to be solved and the ultimate vision for the project
• Consider how and where to add value
• Determine who needs to be involved
• Decide what a realistic budget is
• Think about how to prepare end users
• Spend time choosing the right ERP solution, vendor and business partner to offer support during the process.

By planning an ERP project in the right way, focusing on the short and long-term needs of a business, companies can minimise risk and give themselves the best possible chance for success. By focusing on goals and working together, it’s possible to lay the foundations for ERP system implementation and ensure that once this phase of the project begins, it progresses through the relevant stages as it should.

ABOUT K3FDS

K3FDS is a leading supplier of integrated business systems encompassing Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Business Intelligence, hosted, Cloud and managed services. Part of the K3 Group, we support more than 3000 customers in over 20 countries. We have UK offices in Hook, Cardiff, Manchester and Dublin.

Web: k3fds.com
Phone: 0870 873 4387
Email: info@k3fds.com