Don’t 'Set It and Forget It' When It Comes to ERP

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Corporations, like individuals, love the comfort of stability and the status quo. They frequently miss the early clues that change is needed. This is human nature. Our lives are filled with examples of this.

Consider your first real automobile purchase. I'm not talking about the junk heap that got you through school; I'm talking about the first car you bought when you had some buying power, some money, a real paycheck. The car served your needs quite well: two seats, a convertible top and your favorite tunes. Who could want more?

Fast-forward a few years.

You now live in suburbia. You're married and have a cat, a terrier and a little human that looks remarkably like you. At some point between trips to the pediatrician, the pharmacy, the vet, your job and Home Depot, you realize that your transportation needs have changed.

Your car is obsolete.

You don't arrive at this realization instantly. Little by little, you arrive at the conclusion that you need to replace your vehicle with something more attuned to your new lifestyle. Obviously the car didn't change, but you did some big-time changing. Your needs and priorities have changed. The car you bought several years ago no longer fulfills those needs.

It's the Same with ERP

Companies go through similar processes with ERP systems. They meticulously review their needs and make buying decisions based on those needs. The most successful ERP implementations involve rigorous analysis of the enterprise, the strategies driving it to success, and identifying what the ERP system can do to support that strategy. The choice is made, the system is implemented and the efficiencies start driving new levels of profit.

As the years roll by, little by little, the system becomes less and less effective. It's not because the software is defective or it hasn't been maintained properly, it's because the enterprise itself has changed.

You may have simply outgrown the ability of the product to keep up with the number of transactions you are completing. It may be that the system was optimized for single plant operation and now you've added three additional plants. Maybe you were limited to a domestic market and now you are doing business in ten different countries.

Whatever the case, your company is no longer the company that implemented the current ERP system. If you are lucky, you will figure this out before you train-wreck your financials or lose so much market share that you become irrelevant in a market you once dominated.

Imagine how great it would be to know in advance when your ERP system would not be able to handle your business adequately. If you knew that, you would have a real competitive advantage.

It Doesn't Have to Be This Way

So, how do you avoid this slow descent into ineffectiveness?
The first step is to acknowledge that ERP is not a "set it and forget it" system. All of the implementation effort that went into tuning the system, tweaking it, training people, and aligning it with your operations needs to continue forever. Not necessarily at the same level or intensity that the implementation required, but the system must be monitored as the enterprise moves forward.

I was talking with a manager at the large, multinational financial firm, HSBC. He emphasized two points in this regard. "First, always remember what the original base problem was that the ERP system was meant to correct. Secondly, develop specific productivity metrics associated with that problem and measure the systems performance continually."

When you invested in your existing ERP system, there should have been measurable improvements in any number of processes. You should have before-and-after data to compare and develop a real, green-dollar improvement metric. That data is important and should be kept for future reference.

Any changes that take place as the company evolves will exert some level of tension on the system. If you are "in touch" with the system, these tension areas can be addressed and mitigated with standing processes or individual projects. These are small projects, but they're not without challenges.

In a recent poll I conducted among ERP users, a number of the respondents cited lack of knowledge about the capabilities of their systems as a problem. Companies are modifying and replacing systems that already are capable of doing what the new or modified system is supposed to accomplish.

The real challenge is the monitoring part. How do you keep your eye on the ERP system through the years and years of change?

Ownership

There is no single right answer to the question of ownership. ERP is everyone's system, and so it is (to a degree) everyone's responsibility. However, someone has to be in the center. Every bus has a driver, and ERP is surely in need of a central owner. But that single ownership point cannot single-handedly do everything.

In my survey, most companies would seem to hand the ownership to IT. This is fine following implementation, which is where we are focused. This is not a piece on managing the implementation of an ERP system; we are talking about extending the life of a mature system. IT can be the focal point for keeping the system current in terms of updates and keeping it synched with platform and environmental changes.

The users have to step up and take a role in the measurement of effectiveness, however. This is an ongoing process. One of the survey respondents suggested the formation of special interest groups (SIGs) devoted to representing functional areas in matters related to the system. Lack of functionality, performance issues and change recommendations would begin in the SIG groups. SIGs could also be useful in terms of gathering and reporting assorted performance metrics for ongoing comparative study.

The Metrics of Change

There are three areas where changes will take place.

First, the company itself will *physically change*. Divisions are added, new plants are opened or perhaps the company expands to an international footprint. Conversely, the change may be in the other direction. Multiple sites may consolidate into one or the enterprise may become a subsidiary operation of a larger entity. These changes have great impact on the architecture and design of the ERP system serving the enterprise.

Second, there are *business changes*. Business changes mean changes in the nature of the business itself. New products, new markets and changes to the distribution channel or delivery strategy all come under this heading. The change may be manifested in a move from a push to a demand-driven manufacturing strategy. The business change is significant because it changes what people do all day in their jobs. Their information needs and execution tools will change significantly as the nature of the business changes.

Third, there are *external changes*. These come about for a variety of reasons. Regulatory agencies will change the level of their scrutiny when a new administration takes office at the federal level. Practices may change as a result of professional organizations changing their own definitions of best practices. Consider the Financial Accounting Standards Board (FASB.) Its standards dictate how companies can recognize revenue. This has a huge impact on how a company is perceived in terms of financial health. It also impacts the reporting and documentation requirements the company may have.

Tracking Changes

Most of these changes can be easily monitored, tracked and documented. It's easy enough to do this with a spreadsheet. Set up a column of "values." These would be the same as the changes identified above. To the right, identify a column for each year, quarter or appropriate frequency. The first column after each value would contain the metrics associated with the enterprise at the time the ERP system was deployed. Periodically, the information is updated.

You can now see how the various values change over time. This is a snapshot album showing what your company looks like at various intervals over the years. Always compare the current column with the first. This will show you just how much different your company is now compared with the time of the implementation.

For each value change, an objective judgment can be made. What is the effect of the change?

1. No effect
2. Some effect but no significant impact
3. An effect that requires a minor- to medium-effort workaround or system modification
4. A critical issue requiring a change in corporate tactics and strategies

You can devise the rating scale to your own needs. There is no magic number to calculate in this process; it's simple common sense. If you're spending an inordinate amount of time addressing level 3 workarounds, you should start thinking in terms of a new system. If you have an occasional level 3 and a rare level 4, you still might be well served by the incumbent system.

What this will tell you is whether or not it's time to talk about the system and how well it is serving your needs. It also can tell you who needs to participate in that discussion. This would be based on where the pains are most acutely felt.

From that comes informed action to fix, enhance to preserve or replace. In this way, your existing system will remain more effective for a longer period of time. When the time for change does come, you can confidently move forward knowing that the time for change is now.

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