



**ERP IMPLEMENTATIONS:
DOING IT RIGHT THE 2ND TIME**

INTRODUCTION

ERP implementations are hard. They are complex systems with many moving parts, that require an organization's focus in order to be completed successfully. The statistics of success rates of first time implementations vary, but success rates of IT projects in general is low. According to the KPMG Project Management Report of 2013, project failure rates between 2010 and 2012 had increased, with less than 50% of projects meeting their budget and timeline goals.

Whether an organization is dealing with a failed attempt to implement or working with an inadequate implementation that is not serving the organization there is much value in attempting to implement a second time. The key to ensuring success the second time around is to incorporate the lessons learned from the initial project.

Projects that are:	2010	2012
On Budget	48%	33%
On Time	36%	29%
In Scope	59%	35%

TELLING THE TRUTH: THE POST MORTEM

The first step to re-attempting an ERP implementation is to take a hard, honest look at what went wrong with the previous project. This can be a difficult process, as emotions can run high and many may feel defensive about their roles or decisions that were made. However, if the next implementation is to succeed, it is important to get to the root-cause of what derailed the original implementation. Typical problems include:



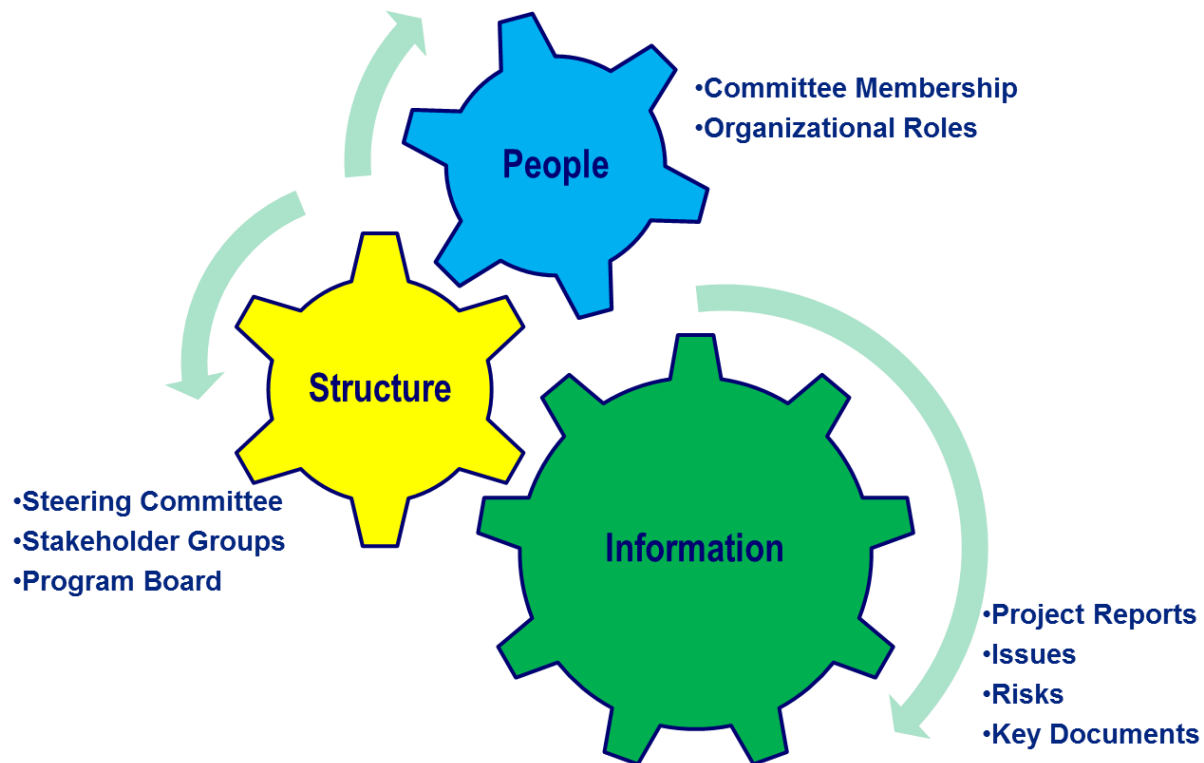
- Lack of organizational commitment
- Unrealistic Timelines
- Poor Executive Sponsorship
- Insufficient Planning
- Inexperienced Project Team
- Lack of Project Management
- Resistance to Change
- Poor Requirements
- Lack of Communication

It is best to have an independent third party perform the post-mortem review. This third party must be impartial to the process, experienced with dealing with senior and executive management, had no involvement in the activities or decisions that took place, and who does not have any stake in the outcome of the assessment

PROJECT GOVERNANCE: ASSESSING DECISION MAKING

The Project Governance structure provides the framework within which project decisions are made. It establishes a logical, robust, and repeatable process to govern the progress of the ERP implementation.

There are three pillars to project governance are: People, Structure, and Information. The proper set-up of the project governance is paramount for ERP project success. The project governance of the initial ERP implementation should be assessed up-front as it may lead to critical gaps that, if fixed, would help the success of the 2nd attempt:



When analyzing the governance set-up, the following core principles should be taken into consideration:

Principle	Notes
Single Point of Accountability	<ul style="list-style-type: none"> • “One throat to choke” • Has to be the right person: <ul style="list-style-type: none"> -Has to have the right level of authority -Has to be from the right area of the organization.
Establish Service Delivery Accountability	<ul style="list-style-type: none"> • The project owner has an interest in the service being delivered by the project. • Accountability includes the complete project life-cycle, such as post-project, operation costs.
Separate Project Management and Stakeholder Management	<ul style="list-style-type: none"> • Project Management should work with a small group of decision makers to effectively execute tasks and address issues. • Stakeholder Management can be a time consuming effort that requires a separate approach.
Separate Project Governance and Organizational Governance	<ul style="list-style-type: none"> • Projects require flexibility and speed of decision making. • Organizations have check-points that may not be applicable or add value for project execution

LEADERSHIP: ASSESSING THE EXECUTIVE TEAM

The tone for an ERP implementation starts at the top. Depending on the scope, an ERP implementation requires that it be either the first corporate priority, or fairly close to the top priority. Two key components of the executive leadership needed to deliver a successful ERP implementation reside with the Steering Committee and the Executive Sponsor.

The Steering Committee needs to have the right members of the executive team guiding the project. A full-ERP implementation impacting all areas of an organization’s business would require participation from the full executive team: the VP’s heading business units or departments, the CFO, CIO, the head of Human Resources, Chief Legal Counsel, and, in some cases, the CEO. The Steering Committee should also include representatives of key areas that will be impacted by the implementation that may be external or indirectly related to the organization. This may include leadership from the software vendor’s organizations and special interest groups such as Union representatives. If the ERP implementation only has partial impacts, then the membership of the steering committee may be reduced to reflect this reduced scope.

The assessment of the Steering Committee that lead the first implementation should include committee's understanding of Roles and Responsibilities, each member's commitment to active involvement, and the role operational demands may have had on the project. The role of the Steering Committee is to:

- Provide guidance and direction on scope, funding and timing
- Provide direction on communication to the organization
- Remove barriers to the success of the project
- Commit the required resources to the project
- Facilitate organization readiness and end-user adoption
- Monitor the progress and the organizational impacts of the project
- Resolve escalated issues and ensures decisions are carried out
- Sign-off on key deliverables/project milestones

The most important assessment is on the project's Executive Sponsor. The Executive Sponsor should be committed to define, defend, and support the implementation throughout its lifecycle. Most ERP implementations will have the organization's CEO or CFO as the Executive Sponsor. Key attributes of a successful Executive Sponsor include:

1. Understands the problem(s) the project will resolve
2. Ensures the solution fixes the problem(s)
3. Provides the right resources at the right time
4. Is an advocate, coach, and influencer for the project
5. Understands and helps resolve the big issues
6. Holds the team accountable for results
7. Knows where "good enough" is
8. Understands change impacts
9. Acts as a change agent
10. Makes tough decisions



EXPERIENCE: ASSESSING THE PROJECT TEAM

Another step in determining the root cause for the problems of the initial implementation is the assessment of the skillsets of the project team. This needs to be done delicately as many people would have devoted significant effort and time into the first implementation so it is recommended that this assessment be performed by an impartial third party. The assessment needs to look at:

Team Roles

- Are roles identified?
- Are there any roles missing?
- Are the roles aligned to the scope and deliverables of the project?

Team Skill Sets

- Review resumes and interview each team member
- Understand the role they are performing and any gaps between the role and skills

It is common for project resources to be partially allocated to the project. This means that employees have to manage conflicts between project needs and operational needs. If the operational demands outweigh the project demands over the long-term, there would be impacts to project deliverables, timelines, and budgets that may have contributed to the problems with the first implementation.

PLANNING AND EXECUTION: THE ROLE OF PROJECT MANAGEMENT

Project Management tasks or responsibilities are often on “Top Reasons Why Projects Fail” lists. Project Management should not be viewed as the administration of to-lists and templates. Project Management plays a critical role of Project Management to the success of the ERP implementation, from providing leadership to the project team, helping the executive leadership navigate through the full picture, and being able to bridge technical and business issues. It is important to understand if the Project Management skillsets were adequate for the scope of the ERP implementation, if Project Management processes were properly applied, and if there was sufficient management or risks and issues.

When assessing Project Management Skills, the following should be considered:

- Is business knowledge critical to the success of the project
- Does the required skill-set exist?
- Seen as an expert – will they have authority
- Seen as a strong leader
- Do they have persuasion and influence?
- Ability to say “NO”
- Will be able to deliver difficult news – will the truth be told

In many cases it is advisable to use a consultant as the Project or Program Manager. While there are “sunk costs” associated with using a consultant who will leave after the project is completed, a consultant has little concern for advancement within the organization and therefore has more liberty of interaction with the Executive Leadership and Steering Committee

Project Management tasks or responsibilities are often on “Top Reasons why Projects Fail” lists

1. Inadequately trained and/or inexperienced project managers
 2. Failure to set and manage expectations
 3. Poor leadership at any and all levels
 4. Failure to adequately identify, document and track requirements
 5. Poor plans and planning processes
 6. Poor effort estimation
 7. Cultural and ethical misalignment
 8. Misalignment between the project team and the business or other organization it serves
 9. Inadequate or misused methods
 10. Inadequate communication, including progress tracking and reporting
- source: gantthead.com

1. Poor sponsorship
 2. Unclear requirements
 3. Unrealistic timescales or budgets
 4. Scope creep
 5. Poor risk management
 6. Poor processes/documentation
 7. Poor estimating
 8. Poor communication/stakeholder engagement
 9. Poor business case
 10. Inadequate/incorrectly skilled resources
- source: pmstudent.com

1. Lack of User Involvement
 2. Long or Unrealistic Time Scales
 3. Poor or No Requirements
 4. Scope Creep
 5. No Change Control System
 6. Poor Testing
- source: www.coleyconsulting.co.uk

Project Management Documents are another key source of information that may point to the root cause of problems in the first implementation. Missing or incomplete documentation would point to flaws in Project Management processes. The assessment should analyze the following documents:

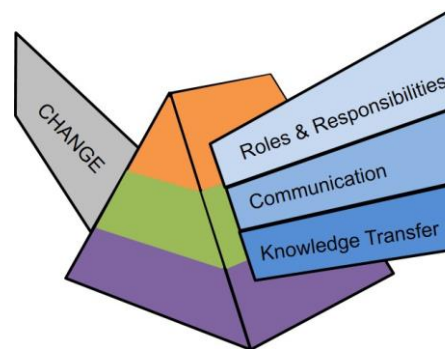
Document	Key Content	Information used for
Project Schedule	Deliverables, tasks, timing, dependencies, resources required for completion	<ul style="list-style-type: none"> • Deliverables • Milestones • Resources
Design Documents	<ul style="list-style-type: none"> • Business Requirements • Functional Requirements 	<ul style="list-style-type: none"> • Understanding of what is being asked
Business Process/RICEF Lists	<ul style="list-style-type: none"> • Core configuration • Core development 	<ul style="list-style-type: none"> • Detail objects to understand Who and target completion

Document	Key Content	Information used for
Assumptions	Factors that were considered to be true, real, or certain for the project	Understanding of what the assumptions where
Risk Log	Factors that have either a positive or negative impact on the project	Understanding of the risks
Technical Landscape	Diagram outlining environments	Understand the layout of the environments
Application Landscape	Diagram outlining the applications and how they integrate to each other	Understand the applications affected by the project and what will be replaced and interfaced to

ADDRESSING CHANGE WITH A CHANGE MANAGEMENT PROGRAM

Not all ERP Projects incorporate a Change Management program. However, Organizational Change Management is one of the key success factors for an ERP implementation. If a program did not exist within the first implementation, one needs to be incorporated for the second attempt. If a program was in place, the change program needs to address the following for an organization to embrace the resulting changes:

1. Roles and Responsibilities
2. Knowledge Transfer
3. Communication



The management approach should to ensure that system and business process are incorporated in the fold of change impacts. The approach should include:

- Methodical and repeatable process to capture and address changes *early* in the project
- Validation and feedback on the impacts of change *before* go-live
- Iterative approach that builds incremental knowledge and acceptance of the new system.

TESTING EFFECTIVENESS: A REALITY CHECK

Testing is another area that is often undermined in an ERP implementation and can contribute or even cause the project's demise. Testing takes time when done correctly – significant time to plan, and significant time to execute. It is also a resource-intensive part of the project, either as business resources are required to manually execute test cases, or review the results from automated testing tools.

The Testing Strategy should be assessed for completeness and its alignment with the implementations goals. The guiding principles for a good testing strategy are twofold:

1. Test the right thing
2. Test just enough of the right things

It is advisable to use an independent testing expert to assess the effectiveness of the testing program and analyze the Master Test List, the quality of testing scripts, and the any data that may be available in the defects log.

MAKING THE TOUGH DECISIONS

Once all the areas of the original ERP implementation have been assessed, it is necessary to make the required changes to avoid the same problems during the second implementation. Below are some of the questions that should be addressed:

- Should the Execute Sponsorship of the project be maintained moving forward?
- How should the Steering Committee membership be changed?
- Should the 2nd implementation employ a new Project Manager? Should the Project Manger be external?
- Is there a need to have more senior resources on the project? Was there sufficient back-fill provided in order to avoid conflicts with business operations?
- Was there a effective Change Management Program
- Was the Testing Strategy aligned and did the testing results point to a robust solution?
- Was there effective communication within the project and to organization

The answers to these questions will point to the decisions that will need to be made in order to set-up the second implementation for success.

MOVING FORWARD

The decision to embark on a second ERP implementation is not an easy one. Even more difficult is to craft the right message to the organization, project team, and often external stakeholders as to why it is necessary. Having clear Goals and Objective for the ERP implementation that can be communicated and re-iterated will go a long way in helping send the right message. It is also important that the executive leadership provide the right incentive to motivate a team that may already be suffering from project fatigue and will be facing a long road ahead to get the work done. If significant changes made to the project leadership and the project team, there may be some conflict as the new team “forms and norms”, and this process will also require the support and re-enforcement of the executive leadership in order to ensure success.

SUMMARY

There are many “horror” stories out there of ERP implementations that did not succeed the first time. Yet these organizations did complete their implementations by taking the lessons learned from the first attempt and applying them to their second, successful try. In order to get it right the second time around, organizations need to take a hard look at the various components of the ERP implementation, from the Executive Sponsor and Project Management, to the skills of the Project Team, to critical programs such as Change Management, and the quality of the solution from Testing results. Making the required changes in each of these areas may be hard to swallow by the organization in the form of additional costs and effort. The good news is that the benefits of getting your ERP implementation done right often outweigh the costs and effort sustained throughout the implementation, even when it’s done twice.

Victory belongs to the most persevering.

NAPOLEON

ABOUT SURGE ERP

SURGE ERP Consulting consists of a team of highly experienced Management Professionals who help their clients achieve their business transformation goals through the use of technology. SURGE guides their clients through the process of selecting, implementing and maximizing software tools including best-of-breed applications and Enterprise Resource Planning (ERP) systems, either "on the cloud" or on premise. SURGE is not aligned with any single software vendor and can be completely impartial when facilitating the selection process.

For more information, visit their website at: www.SURGE-ERP.ca

