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For Immediate Release

Maximize the Value of Your ERP System

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ERP packages cost a lot of money - not just the initial investment but ongoing expenses for support, maintenance, training, new modules and consulting services. Every executive who is considering buying new software should have a plan for maximizing the value generated by their ERP package. The plan should recognize that the risk of failure exists and create the appropriate safeguards. This article provides an overview of the entire process and provides tips for promoting success and guarding against failure.

The typical ERP project takes three years. Some smaller or simpler projects will go faster and some more complex business will take longer. Regardless, every ERP project will go through five phases to arrive at the point where their new software system is stable and providing the anticipated benefits envisioned when the purchase was made. Those phases are:

Phase	Name	Description
1	Build the Foundation	Draft a project charter, identify benefits, build the business case, identify metrics, establish the steering committee and project team prepare the project plan, and assign roles and responsibilities
2	Software Selection	Determine the business requirements and conduct a defined process to identify and purchase the "best package"
3	Implementation and Go-Live	Implementing the software involves planning, installation, data conversion, process configuration, training and go-live
4	Stabilization	Resolve problems, make process and procedural changes, retrain and get additional training
5	Improvement	Implement 2nd phase modules, assess the implementation, continuous improvement

I. Building the Foundation:

Just as you wouldn't start a construction project without blueprints and engineering drawings you shouldn't start a project of this size and complexity without the appropriate plans in place. This is one of the most common mistakes we see - companies start a selection project by looking at software packages instead of formally defining the scope of the project.

- **Draft a project charter**

This brief document provides a high-level summarization of the project. It outlines the business reason for conducting the project, defines the goals, objectives and some high level deliverables. The charter should also include a preliminary schedule, any budget constraints that have been established and any constraints or risks that have been able to be identified.

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- **Identify benefits and metrics**

Benefits realization is the process of ensuring that the ERP project produces the expected benefits after the system has been implemented and stabilized. Documenting this at the inception of the project keeps the project team focused and accountable over the life of this project while giving the steering committee the means to determine that the project has produced the benefits beyond successfully implementing the package, which can be a difficult enough challenge.

Without a formal planning process it is easy to lose track of the expected benefits and the ability to determine that the project actually produced those benefits. This process also clarifies that the responsibility for the realization of the benefits is typically the business process owner not IT. The Safe Quality Food Institute administers the program in the US and is responsible for managing the many components of this process. They publish the codes, train and license the SQF consultants and auditors, maintain the centralized database of certification and compliance records and provide on-going training.

Benefits can fall into the following categories:

1. Strategic
 - Support business growth/acquisitions
 - Build linkages to customers and/or suppliers
2. Organizational
 - Support change in structure
 - Decentralized management
3. Managerial
 - Improve decision making
4. Operational
 - Reduce costs
 - Improve customer service
5. IT infrastructure
 - Increase capacity
 - Reduce obsolescence risk

After identifying the benefit you will need to document the following information so that in the 1 to 2 years that it will take to achieve this benefit you will be able to determine if the benefit was realized. The benefits document needs to answer these questions:

1. What is the benefit to be realized?
2. Who will be responsible for producing the benefit?
3. How is this process being measured (headcount, items, cost, etc.)?
4. What ERP process has to be implemented to achieve this goal?
5. What metric will be used to determine if the goal was achieved?

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- **Establish Steering Committee and Project Team**

The steering committee will consist of a small number of senior management who will approve the selection decision and approve the expenditure. This committee will review the work of the project team. The project team will consist of 6 to 10 department heads that understand the functional needs of their business units and departments and will ensure that the software selected will satisfy those requirements. During implementation the roles of these teams will expand and become more complex.

II. Software Selection:

With the foundation in place for the project, your project team is ready to start the software selection process. The goal of the selection phase is to select package that “best” fits your business. “Best” is a blend of business process functionality without being so complex that implementation success is at risk, vendor knowledge in your vertical market, fit between your team and the vendor team, technology fit with your IT staff’s capability and price.

- **Project Initiation**

Get this phase of the project off to a good start by conducting a formal kick-off meeting. The kick off meeting should be hosted by the senior management sponsor or the steering committee for the project. This meeting serves to introduce the team to the project charter and project benefits developed during the foundation stage. Review of the project plan and responsibilities helps team members incorporate this project into their schedules. Communicating the progress of the project to the organization is important throughout the project. Take a proactive approach to letting the organization know the status of the project. Developing a formal communication plan helps to create the discipline now which will pay off during the implementation.

- **Requirements Definition**

Identify all business processes and process owners and users and involve those users in the discovery process. Interviews with those process owners to understand their needs, concerns and hopes for a new system are very important to prepare a complete set of requirements and to promote involvement and support in the user community. We use business process outlines to guide those interviews to ensure that we cover every process and every step of those processes. We will prepare process flowcharts where useful. Much of this work can be re-used during the design step of the implementation phase.

It is critical when defining business requirements that you review all processes and capture all information about the current state of these processes. It’s easy to overlook some of those processes if you aren’t careful. We have developed business process outlines to guide those interviews. These process outlines reflect what we believe to be standard process flows in most distribution companies. These outlines ensure that we cover every process and every step of those processes. Analyze the following areas when conducting discovery sessions:

1. System Tools
2. Productivity Tools
3. Product Management
4. Supplier Management
5. General Ledger
6. Accounts Payable

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7. Accounts Receivable
8. Commissions
9. Treasury
10. Fixed Assets
11. Budgeting
12. Payroll & Expenses
13. Inventory Management
14. Procurement
15. Product Management
16. Customer Management
17. Channel Management
18. Marketing Materials
19. Campaign Management
20. Manufacturing
21. Lead Management
22. Sales Force Automation
23. Quoting
24. Sales
25. Retail/Counter Sales
26. eCommerce Website
27. Customer/Supplier Portals
28. Service
29. Warehousing
30. Logistics

- **Long-list to Short-list to Finalist**

The horse-race component of this process involves identifying a large (7-12 is large enough) group of software vendors who have the potential to supply the software solution for your business. Use the requirements to determine which vendor can satisfy them the "best". "Best" will be different for every business; we determine best by looking at the mix of process functionality, vendor knowledge in your vertical market and their stability and strength, technology and price.

- **Finalist Due Diligence**

Once the finalist has been selected you still have to negotiate an agreement. Conduct reference phone calls and client site visits, negotiate final price discounts and negotiate the contract. We strongly suggest that you conduct a pre-implementation meeting prior to signing a contract so that you fully understand the implementation methodology your selected vendor is going to use.

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III. Implementation:

You have probably devoted 6-9 months to get to this point and are confident in your selection of the software package and the vendor that will help you implement the software. Now - the real work begins. This phase of the project has the greatest risk and requires that the steering committee is paying close attention. We have seen projects with services estimates of \$200,000 become \$500,000; or estimates of \$1M and 1 year become \$2.5M and 2 ½ years. Watch carefully to make sure your project doesn't wander off course; it can happen quickly. You may want to have an independent party provide project monitoring since the project team is so busy with the actual implementation.

- **Plan**

The vendor implementation team will work with the project team to put the implementation plan together. This will seem a lot like the planning done in the Foundation stage. Make sure that the sales team hands off everything that they have learned during the software selection stage; you can reduce your costs by doing so. If they haven't made a good hand-off, alarm bells should go off!

- **Assess/Design**

The vendor team will develop a detailed understanding of your business processes to be used when configuring the software. They will develop a data conversion plan; don't under estimate the value of cleaning up your master file data. Don't spend the money to convert transaction history; just keep your old application available. Review and decide how modifications that you identified earlier in the process will be prioritized. Review and decide how any other software products will be integrated with the new ERP system. Make sure the benefits statements and the metrics are incorporated into this process otherwise you will not maximize the return on your investment.

- **Build/Test**

This is the critical phase where the software is configured for how your business wants the software to work and testing is done at a departmental level and in the conference room pilot for all users. User training occurs during this phase so users are prepared to test the software. Your team will conduct multiple conference room pilots where the software is tested. The quality of your go-live experience is dependent on how rigorous you are in this testing. Don't short-cut this and repeat it until your satisfied.

- **Go-Live**

This is the big moment when all of the hard work is put to the test. Usually starting on a Thursday, all transaction processing is stopped. All data is converted following the scripts created previously. End-users, with support of the vendors' consultants and the project team start to use the new system to process real business. This is always a challenging period but if you have done your homework you'll make it through.

IV. Stabilization:

Congratulations! You have survived the go-live process and the first few months of using the new system.

- **Project team transfers responsibility to every-day user**

The project team has lived with the new system and has worked to get to this moment. The team will be disbanded and members will return their focus to their own functional responsibilities. Reliance on outside consultant will be reduced or eliminated. All users must now operate without their hand-holding. It's important that users have accepted the new system. Be on the look-out for users that need more training or re-training so that they can use the system with confidence.

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- **Process changes**

During this period it will become apparent if any of the process decisions that were made were incorrect. The configuration settings will be changed to adjust the processes. Data entry screen layouts, inquires, reports can be modified to make the user more efficient. Users will also personalize their interaction with the software.

V. Improvements:

With the new system stable, this is a good time to bring out the benefits document again and audit the benefits of the new system. This is a very valuable exercise to conduct. It will reveal where benefits are being received and where they are being missed. It will also reveal if certain departments fell short of the goals and need more training or help in using the system. You may also embark on implementing second phase modules that you didn't have the resources for in the initial implementation of the software.

A Final Thought

Buying and implementing software is expensive, time-consuming and risky. Technology related products and companies change at a rapid pace. To access more information and resources about software selection and our consulting services check out our website www.software4distributors.com.

About The Author

Jeff Gusdorf, CPA is a Principal in Brown Smith Wallace's Consulting Group. He is the managing consultant and is responsible for IT strategic consulting, software research and evaluation. Jeff has more than 20 years' experience as a financial manager and technology consultant in the manufacturing, distribution and service sectors.

About The Brown Smith Wallace Consulting Group

The Brown Smith Wallace Consulting Group has been serving the distribution community for more than 20 years through the publication of the Distribution Software Guide, speaking at industry programs, giving free telephone advice to distributors and providing fee-based consulting services to companies who need help selecting the best software packages for their business.

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