5 Steps To Successful ERP Implementation

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<u>Introduction</u>

Tougher competition in the marketplace is generating the need to better optimize resources, improve profitability and keep customers satisfied. Companies are increasingly implementing Enterprise Resource Planning (ERP) software solutions to improve operations and provide faster customer response.

Choosing an ERP solution that meets your *specific* business requirements will enable you to have a smoother implementation. If the software package is written for your industry, you won't have to custom design a solution. Customized solutions are time consuming to implement and add unnecessary cost. One of the top reasons ERP implementations fail is because the software doesn't meet basic industry specific business requirements. However; purchasing an ERP application is only half the battle. A well designed implementation plan is the key to success.

5 Steps To Successful ERP Implementation

1. **Strategic Planning**
2. **Procedure Review**
3. **Data Collection and Clean-Up**
4. **Training and Testing**
5. **Go Live and Evaluation**

1. STRATEGIC PLANNING

- Assign a project team.
- Examine current business processes and information flow.
- Set objectives.
- Develop a project plan.

Project team: Assign a project team with employees from sales, customer service, accounting, purchasing, operations and senior management. Each team member should be committed to the success of the project and accountable for specific tasks, i.e. developing a timeline, finalizing objectives, formulating a training plan. Make sure you include first line workers as well as management on your team. Base the selection on the knowledge of the team not status of the employee.

Examine current business processes: Have the team perform an analysis on which business processes should be improved. Gather copies of key documents such as invoices, batch tickets and bill of lading for the analysis. To start the team discussion, consider questions such as: Are your procedures up to date? Are there processes that could be automated? Are personnel spending overtime processing orders? Does your sales force and customer service personnel have real-time access to customer information? The team members should also conduct interviews with key personnel to uncover additional areas of improvement needed.

Set objectives: The objectives should be clearly defined prior to implementing the ERP solution. ERP systems are massive and you won't be able to implement every function. You need to define the scope of implementation. Ideally, the scope should be all inclusive. But practically, it is very difficult to implement. Examples of objectives would include: Does the solution reduce backlogs? Can the solution improve on-time deliveries? Will you be able to increase production yields?

Develop a project plan: The team should develop a project plan which includes previously defined goals and objectives, timelines, training procedures, as well as individual team responsibilities. The end result of the project plan should be a "to do" list for each project team member.

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2. PROCEDURE REVIEW

- Review software capabilities.
- Identify manual processes.
- Develop standard operating procedures.

Review software capabilities: Dedicate 3-5 days of intensive review of the software capabilities for the project team. Train on every aspect of the ERP software to fully educate the team on capabilities and identify gaps. Determine whether modifications are needed prior to employee training.

Identify manual processes: Evaluate which processes that are manual and should be automated with the ERP system.

Develop standard operating procedures (SOPs): for every aspect of your business. These procedures should be documented. Make sure that you modify the document as your SOPs change. This is a huge task, but it is critical to the success of your implementation.

Examples of SOPs:
- How do you handle global price changes?
- What are the processes for inputting new customer records?
- How do you currently handle the paperwork on drop shipments?
- How do we add a new product or formula?

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3. DATA COLLECTION & CLEAN-UP

- Convert data.
- Collect new data.
- Review all data input.
- Clean-up data.

Convert data: You can't assume 100% of the data can be converted as there may be outdated information in the system. Determine which information should be converted through an analysis of current data.

Collect new data: Define the new data that needs to be collected. Identify the source documents of the data. Create spreadsheets to collect and segment the data into logical tables (Most ERP systems will have a utility to upload data from a spreadsheet to their database).

Review all data input: After the converted and manually collected data is entered into the ERP database, then it must be reviewed for accuracy and completeness. Data drives the business, so it is very important that the data is accurate.

Data clean-up: Review and weed out unneeded information such as customers who haven't purchased in a while or are no longer in business. Now is the time for improving data accuracy and re-establishing contact with inactive customers.

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4. <u>TRAINING AND TESTING</u>

- Pre-test the database.
- Verify testing.
- Train the Trainer.
- Perform final testing.

<u>Pre-test the database:</u> The project team should practice in the test database to confirm that all information is accurate and working correctly. Use a full week of real transaction data to push through the system to validate output. Run real life scenarios to test for data accuracy. Occurring simultaneously with testing, make sure all necessary interfaces are designed and integration issues are resolved to ensure the software works in concert with other systems.

<u>Verify testing;</u> Make sure the actual test mirrors the Standard Operating Procedures outlined in step 2, and determine whether modifications need to made.

<u>Train the Trainer:</u> It is less costly and very effective if you train the trainer. Assign project team members to run the in-house training. Set up user workstations for at least 2 days of training by functional area. Provide additional tools, such as cheat sheets and training documentation. Refresher training should also be provided as needed on an ongoing basis.

<u>Final Testing</u>: The project team needs to perform a final test on the data and processes once training is complete and make any needed adjustments. You won't need to run parallel systems, if you have completed a thorough testing.

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5. GO LIVE AND EVALUATION

- Develop a final Go-Live Checklist.
- Evaluate the solution.

Sample Final Go Live Countdown Checklist Sample

- Physical inventory process is complete.
- Beginning balance entry procedures are developed for all modules.
- Any transition issues are addressed.
- Documents & modifications are tested thoroughly.
- Executives and departments heads are fully trained.
- Vendor is available for go-live day.
- Users will have assistance during their first live transactions.

Evaluation: Develop a structured evaluation plan which ties back to the goals and objectives that were set in the planning stage. In addition, a post-implementation audit should be performed after the system has been up and running for the first week for reconciliation purposes and three to six months following to test whether or not the anticipated ROI and business benefits are being realized. Comparing actual numbers with previously established benchmarks will reveal if the software tool does what it is intended to do - add value to the business. It is important to periodically review the system's performance to maximize ROI.

In Summary
- Set reasonable goals and objectives.
- Make project team members accountable for implementation.
- Test software across departments.
- Constantly evaluate to maximize the return on your investment.

You will hit bumps in the road and you need to be patient. Upper management and project team members should be committed for the company to realize the benefits of successful ERP.

ABOUT THE AUTHOR – This article was written by Sean W. O'Donnell, President of Datacor, Inc., a company specializing in software, services, and business solutions for the chemical industry since 1981. Using more than 26 years of experience, Datacor has developed a range of software products, including Chempax™, eChempax™, eChempax Traveler™, and Labelpax™, to meet the unique requirements that exist within the chemical industry arena. Visit www.datacor.com, call us at 973- 822-1551, or email swodonnell@datacor.com for more details.