

Epicor® White Paper

Planning For a Successful ERP Implementation



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Contents

Build a Cross-Functional Team.....3

Set Proper Expectations to Manage Change.....4

Create New Business Processes in Sync With the New System6

Implement in a Phased Approach.....6

Make the Necessary Investment6

Putting It All Together for a Successful Go-Live.....7

Companies justify moving to a standard enterprise resource planning (ERP) solution based on a number of compelling reasons. By supporting a single system rather than several smaller and disparate systems, they can enjoy economies of scale. Additionally, having a single application architecture with fewer user interfaces creates lower integration costs. Plus, with common task automation and easier access to more information, businesses gain efficiencies not available when employees use multiple systems.

While the case for standardizing on a single ERP system can be relatively straightforward to make, the costs and impacts are sometimes easy to overlook. Companies should take into consideration a number of factors to help ensure a successful implementation. These include:

1. Build a cross-functional team
2. Set proper expectations to manage change
3. Create new business processes in sync with the new system
4. Implement in a phased approach
5. Make the necessary time and financial investment

Addressing these areas early on in the process can be the deciding factor whether the ERP implementation is a success in the long run. This paper will highlight the importance of each of these factors and provide recommendations on how to ensure a successful ERP implementation.

Build a Cross-Functional Team

Implementing a new ERP system inherently raises the need to address how the business should run now and in the future. Creating new business processes, determining the necessary reporting, and identifying possible software customizations require input from many areas of the organization. By building a cross-functional team, companies not only improve the likelihood that all areas of the business are addressed, but also help create buy-in that can drive the overall project's success. All cross-functional teams should include certain key organizational functions such as project management, IT, and executive management.

- **Project Management**—This function manages a project based on the scope, available resources, budget, and key milestones. Very few organizations have the experience and bandwidth in-house to run such a complex project as implementing a large-scale integrated ERP solution. For companies that do not have these resources, it pays to partner with an implementation vendor that has dedicated project management resources that follow a proven methodology.

When working with an implementation vendor, it is also highly recommended to follow a “stage-gate” process, with formal sign-offs at key milestones within the implementation methodology. This signifies that both the implementation partner and the company agree that the stage is complete and the project can continue to move forward. Implementation teams also require some type of repository or secure portal that all parties involved can use to access materials, status updates, and any other pertinent information relating to the project.

- **IT**—When implementing an ERP system, most companies are upgrading from older technology, and—usually— a more established environment. Therefore, the IT staff's skills also need to be upgraded. Some key areas that the IT team will need to prepare for during the implementation include:
 - Understanding the hardware configuration in order to support good system performance
 - The ability to extract data from their legacy system for conversion to the new ERP system
 - Knowing how to download and apply patches and service packs
 - Developing best practices around maintaining a test environment for testing new releases, customizations, or program fixes

Usually, the effort this takes is underestimated, but by having IT representation on the cross-functional project team, a company can catch these items early. Companies have a couple of options for addressing these items.

One way is to invest in the necessary training required to get these resources prepared for managing such a system. The other option is to participate in a managed service, where the ERP provider remotely manages and maintains the system on the company's behalf, leaving the internal IT resources available for more strategic initiatives. Either way, the effort to build interfaces, change reports, customize the software, and convert the data should not be discounted, and it is critical to have IT involved early in the implementation planning.

- **Executive Management**—The executive management function serves as the project's cheerleader, referee, and coach. Implementation projects need senior executive involvement to ensure the right participation mix from the business and IT, and to resolve any internal conflicts. This buy-in needs to be consistent from day one and continue through go-live.

To successfully take on a new ERP system, an organization also needs to address its corporate culture, which can be best driven by executive management. Corporate culture is a combination of two things—the type of people who are employed by a company, including their personal values, skills, habits etc.; and the way the organization works, including the focus, decision-making process, attitude towards its staff, stability, etc. Both feed off one another.

To ensure a successful ERP implementation, organizations need to become almost obsessed with detail. They need to have business practices that are adhered to, rather than just being documented once and forgotten. Employees also need to increase focus on profit and how the whole organization is impacted by their work, because ERP makes profit far more measurable—down to the department, customer, and material levels. ERP requires employees to understand the “big picture” and how their individual areas have impact in places they may never have envisioned. Employees can no longer just leave a problem for the next employee in the process because it makes their job easier, as ERP is truly a shared environment.

Data integrity and how it is collected also becomes critical. Many times, data collection is overlooked, but in reality, it is one of the most valued processes that contribute to the return on an ERP investment. For example, in the case of inventory moves, the user must follow the adage, “Tell the system what you know, when you know it.” By not doing so, the business would be inaccurate in relieving load on the schedule, moving things to the next stage of the process, issuing raw materials, and capturing real-time labor.

Set Proper Expectations to Manage Change

Now that the cross-functional team is in place, setting proper expectations both with this team and all employees is a very important next step. One area that needs to be addressed at the implementation onset is the time commitment required by key employees to participate on an implementation project team. Because of the disruptive nature of





this project, many of the activities cannot be fully accomplished during normal working hours. There will be times when team members will need to perform their current job and then work on testing or file cleanup after-hours. In order to lessen the impact to those employees, it is recommended that they be able to log into the company's network via VPN from anywhere.

A company also should set proper expectations to help manage the change that all employees will experience, using change management techniques prior to the change happening. For example, people involved in a change often expect to go from A to B, whereas, perhaps they are actually going to C. Change management is about getting them used to the idea that C is the real destination. If users are prepared prior to go-live that there may be some interruptions in their typical day, they are less likely to reject the system if something does not go according to plan. On the other hand, telling staff that this is going to be a “great new system” with “no problems” can only lead to disappointment and possible rejection if challenges arise.

Change management is a measurable and a fairly straightforward process. If properly managed, a company can evaluate how its employees feel about the changes over a period of time, and how they shift in their expectations. There are a number of techniques designed to forecast and mitigate stakeholders' resistance to the change. Some examples include:

- **Defining project success criteria**—This can include defining measurable goals and key performance indicators (KPIs), many of which were used when creating the business case for moving to the new ERP solution.
- **Performing an infrastructure analysis**—This is done to determine all requisite human, technological, and other resources that should be available to the core team to ensure the project's success. Once these are

determined, the team should continue to monitor assumptions, risks, dependencies, costs, return on investment, and cultural issues affecting the progress of the associated work. As the project progresses, they can make the necessary changes to areas that can affect its outcome.

- **Designing a communication plan for stakeholders**—The communication pieces inform various stakeholders on the details and reasons for the change. They will also highlight the benefits stakeholders will enjoy as a result of the change. One good method is to email newsletters or hold meetings for the implementation team and other stakeholders on a regular basis so they can get updates on the project's progress.
- **Developing a plan to create enthusiasm and gain project momentum**—This can include fun or creative activities to motivate stakeholders, and an education and training plan to ensure stakeholders will have the support they need to be successful with this change.
- **Leveraging executive sponsors**—Having the executive sponsor highlight the project's importance is key to overall project buy-in from the stakeholders. This can also help counter any resistance from employees and align them to the organization's overall strategic direction.

A strong implementation partner should be able to educate the company on possible implementation challenges, and develop proactive strategies to overcome resistance to the change and promote a quicker return on investment.

Another dimension of the cultural change is the timeframe in which the change happens. It initially occurs over a few days during go-live, and moves the whole company to a more structured and rule-based environment.

No matter how much training and preparation takes place, it cannot prepare everyone for that reality.

There are always a few outliers who still do not feel ready for such a change. Others will embrace the new system and see its positive features immediately. These people were most likely frustrated with the one they were previously using. They will jump at the chance to make use of the new technology, and may be recruited to become “super users” who can train others and potentially even win over the outliers as the project moves forward.

Create New Business Processes in Sync With the New System

Although it may appear to be the “path of least resistance” not to change business processes when implementing a new ERP system, in the long run, the opposite is actually true. In most cases, companies that try to keep their current business processes eventually run into the same issues with the new system that they did with their old system. Retaining current business processes and paying the cost in time and money to change the new system can greatly affect a company’s budget, and compromise future ability to take advantage of system upgrades.

With a sound business case, planning, and user availability to make decisions on configuration, companies can be successful at adopting new business procedures during an ERP implementation, and with the proper guidance, can effectively change the way people work. An implementation vendor can assist with defining and mapping these new end-user processes based both on the company’s and industry’s best practices. Having a sound understanding up front of how business will be run after the implementation provides more time to manage the change and prepare users for it.

ERP systems tend to replace either manual processes or older disparate systems. As such, it can seem like a quantum leap to replace the told and familiar with new and sleek. This leap happens at a technical level, as well as at the business level. For example, when using the new ERP system, whatever happens in one area of the company has a ripple effect in other areas. Understanding the implications that actions by one part of the company have on another can be critical when looking at how to improve processes.

Similarly, the balance between what is currently done manually and what will be done by the system will shift dramatically after the implementation. Many more tasks will be automated, and will thereby significantly reduce the flexibility of how the business operates, yet provide a level of consistency that may have not been previously possible. The system’s configuration will determine how the company operates in all locations or even within one location. For example, if the system says the company can offer 0, 15, 30, or 60-day credit terms, offering 45-day terms is not possible without changing the configuration. Where consistency can be implemented, there is good potential for cost savings, as well as the opportunity for getting rid of special arrangements that can potentially reduce profit.

Implement in a Phased Approach

Being strict with the original project scope is critical. Many times, changes are justified; however, be aware of the “toy box effect” when users discover the new, rich ERP functionality and suddenly want it all now. This needs to be addressed before the scope changes grow out of control. Therefore, determining the exact post-implementation functionality early and sticking to it helps ensure a timely and on-budget implementation. Many companies take a planned, phased approach to their ERP implementation by prioritizing key functionality they need on day one immediately after the implementation, versus the “nice to have” functionalities that can wait until a later phase.

A phased approach allows the implementation team to focus on the company’s critical functionalities and to bring those software modules live as quickly as possible. In addition to realizing a return on investment as soon as possible, the “win” experienced by the team in successfully completing the first phase of the project is extremely motivating, creating momentum for initiating the second phase.

Make the Necessary Investment

Project team leads and end users need to be given the time to get proper training, which may occasionally strain operations. However, end-user adoption rates have been linked directly to the success and return on investment for ERP implementations. Be cognizant of the various learning styles adult learners have, such as visual or auditory, self-study or instructor-led, hands-on or observant.



Companies need to make sure that they have a variety of training options and accompanying training tools/resources available not only before the implementation, but on an ongoing basis, as business processes and technology change.

Consider holding “lunch-and-learns” in which the company provides training over a group meal. Many people learn best in a team environment where they can share thoughts and ideas with their co-workers. Many companies also provide a space where at any time, users can access the new software on individual workstations. They can also access the training content from these computers to practice their end-user procedures in a hands-on manner. This room is typically where all of the business processes that are being implemented in the software are documented on whiteboards, etc. The benefit of such an environment is that users are removed from daily distractions found when working at their own desks (such as email and phone calls).

Putting It All Together for a Successful Go-Live

By understanding and addressing the five factors discussed above, companies can have a timely, in-scope, and on-budget implementation. Creating cross-functional teams early on, with executive sponsorship and proper expectations set throughout the organization, are all keys to success. Taking into consideration how the business can run differently after implementing an ERP solution will allow for the greatest return on investment from the new functionality. Being prepared up front for these changes—both from an operations and corporate culture perspective—will make the transition less challenging. Keeping the implementation project scope in check is important, so, many companies choose to implement in a phased approach when introducing new ERP features. Overall, implementing an ERP solution is both a financial and time investment. Having both of these investments understood up front reduces surprises and creates efficiencies during the implementation. Finally, having a go-to implementation partner that can help provide guidance on these areas throughout the process will provide added value and help ensure a successful implementation.

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