

# MANAGEMENT ACCOUNTING

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A new system...now!

## Rapid ERP Implementation—a Contradiction?

In today's ever-accelerating business climate, the notion that a company-wide ERP implementation can be a rapid event may seem like a contradiction in terminology to many executives. Business leaders are demanding all the benefits that an ERP system solution can provide but with time frames for implementation that seem incomprehensible to the organizations they lead or when measured against historical projects. The answer to that familiar question—"When do you need to have this?"—is not the obvious "now" but a resounding last month, last quarter, or even last year! The demand for ROI—Return On Information and Return On Investment—is the predominant goal of organizations looking to install or improve their ERP systems.

Can it be done in three to six months considering historical implementations can take up to two years? Is there a methodology in place to ensure success? What are the pitfalls to look out for to minimize the potential for failure in your project? Let's review actual experiences from two companies that had similar objectives—the rapid implementation of an ERP system solution—but that had very different results. And both entities purchased and implemented the same software package (release and version). (The identity of both must be concealed based upon prior agreements.)

### BACKGROUND \*

#### BCD Company

Having determined that its homegrown systems could no longer support the day-to-day business requirements of the organization, top management from BCD held an executive retreat to discuss its corporate information systems infrastructure, goals, strategies, and vision for the next five years. With 15 manufacturing facilities spread across the United States, the ERP system had been modified and enhanced without significant correlation. Maintenance of the technol-

ogy was a major management undertaking. Recent developments in the information systems technical landscape provided an appealing menu of opportunities to enhance and improve the company's existing systems, but corollary developments with ERP meant BCD could get something new instead. After a lengthy process of investigation, evaluation, and recommendation, BCD chose to purchase and install a new ERP system and technical landscape with characteristics specific to its business processes and operations.

At the same time management identified objectives for the new system, including technological changes to the overall organization, it decided to use the opportunity to enhance corporate culture and implement best practices across the entire organization. In order to achieve these objectives, executives from BCD debated the best way to get employee buy-in, multiple site management support, and a consensus for the project's success. A series of roundtable discussions were held with various plants to solicit their involvement.

The company sought the help of outside consultants and the software vendor. The software vendor provided a process to help guide the implementation team, and consultants acted as experts in business process or technology areas where BCD's project team lacked resources. Both the outside consultants and the software vendor participated in the roundtable discussions with the selected plants. BCD established a timeline of five months for the implementation with the last plants going online in July 1998. July also represented the end of the fiscal year for BCD, and one of the BCD objectives was to get a full fiscal year of operations on the system before encountering the year 2000.

#### WYZ Company

WYZ Company had grown from a small, local, single-product manufacturing facility into a medium-sized national company with several divisions and pro-

duction facilities spread throughout the country. All of WYZ's growth had been through the acquisition of enterprises that complemented the original single-product entity. Executives of the company met at a quarterly strategy session to discuss opportunities for improving economies of scale and cost reduction. System fragmentation was identified as a significant opportunity for improvement. Each acquisition had brought its own business processes and information systems to the growing company.

Although common products were purchased throughout the organization, the inability to view total material requirements, multiple purchasing contracts for the same material, varying raw material costs, and inefficient reporting of financial data were unacceptable constraints for the WYZ company. Executives concluded that the implementation of a new ERP solution would bring all operating plants to a common platform, provide the opportunity for consolidating common business functions, and reduce the dependence and cost of operating the business in such a decentralized state. After several months of analysis and demonstrations, the company chose and bought an ERP solution to implement.

Management had identified goals for the new system that included bringing new technologies to the organization, but WYZ also wanted to use the opportunity to implement best practices across its entire organization. To achieve these objectives, executives from WYZ identified the CFO as the executive project team member with ultimate responsibility for the overall project. The CFO was tasked with identifying the project scope and objectives and communicating the project's timeline to the affected facilities. The software vendor provided a methodology template, and outside consultants built a detailed plan based on their extensive experience within the industry. Because of WYZ's dependence on several large customers and their subsequent requirement to be EDI compatible, WYZ needed to implement the

ERP solution within a three-month time frame to be able to meet the new procurement contract requirements of its two largest customers.

## WHAT HAPPENED

### BCD Company

To kick off the entire implementation project, the executives and project team members held a joint workshop session with the software vendor and outside consultants, identifying the project scope, project risks, project constraints, and assumptions for the ERP implementation. They identified resource commitments and established a high-level project plan to initialize the project. In addition, they set the project team structure and organization and created critical success factors. They laid out communication plans and identified tools for project administration, communication, and management. The executive sponsors and project team agreed that because of the short project timeline and critical nature of the implementation, no changes in the project scope would be allowed, and no software enhancements would be performed. Last, the project team established an issue resolution process, and all issues were scheduled for resolution within a 24-hour period.

Company executives held a series of "pre-game" parties with each of the plant locations affected. Question-and-answer meetings were held during the afternoon that included an introduction of the project team members, their roles and responsibilities, and the plant location's specific participation requirements in the project timeline. Meeting attendees at each location were treated to a barbecue dinner and entertainment by a country-western band.

BCD organized an implementation team consisting of project sponsors, a dedicated project manager, dedicated functional process team leaders, and a variety of dedicated end-user participants from across the organization to define, design, test, and implement the

ERP solution. Outside consultants and the software vendor held defined roles on the team to support project members in their areas of responsibility. The project team met weekly to review implementation tasks, objectives, and assignments. They gave monthly reports to the executive steering committee about progress and accomplishments. Executives expressed confidence that the implementation was progressing as planned with results in line with their original expectations. Throughout the implementation, the entire company was kept abreast of the project's status through a series of videotaped presentations and monthly newsletters. As the first plant prepared to "go-live" on the

came on-site to the new plants to assist in go-live activities and to act as cheerleaders.

Project team members were identified to train the new users at each of the plants. Training involved hands-on use of the system, and, in some cases, trainees participated in system testing and data cleansing activities. Training was conducted within a two-week period prior to each new site implementation.

As new enhancements or changes in the project scope came to light, the group—in a formal change management process—evaluated each recommendation and justified its inclusion within the project scope. Items outside the scope were evaluated, ranked, and prioritized for future phases of the project so they wouldn't affect the initial project completion date.

### WYZ Company

The CFO from WYZ created an implementation team structure with a project manager, selected functional team leaders from the corporate office, and a host of part-time end-user participants to define, design, test, and implement the ERP solution. In an effort to minimize expenses, the project team came from existing corporate staff people who continued within their respective corporate functions on a part-time basis. The software vendor was consulted on an "as needed" basis, and no external consultants were used. The project team met weekly to review implementation tasks, objectives, and assignments. The project manager gave the CFO monthly reports measuring progress and accomplishments. The CFO believed that the implementation was progressing as planned with results measured against the original expectations of company management.

Due to the large number of plants involved in the overall implementation, project team members identified a "best practice" approach to the implementation. Business processes were documented and identified with minimal plant



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new system, the company held a formal countdown involving all facilities, and a celebration thermometer tracked each plant's progress in preparing for the implementation. As new plants approached their implementation milestone, participants from previous plants

## RAPID ERP IMPLEMENTATION

### Project Success Factors

Project Planning, Organization and Project Management  
Dedicated Resources, Qualified People  
Predefined Scope / No Software Enhancements  
Executive Management Involvement and Support  
Defined Goals and Milestones  
Clearly Defined Vision and Objectives  
Celebrating Success  
Frequent Communication  
Teamwork – both Internal and External  
Determination to Succeed  
Project Team Empowerment / Decision-Making Authority  
Disciplined and Active Decision Making and Issue Resolution Process  
Just-in-Time Knowledge Transfer / Training

## RAPID ERP IMPLEMENTATION

### Project Risk Factors

Poor Leadership  
Lack of / Availability of Dedicated Resources  
Poor Planning  
Unrealistic Goals  
Changes in Project Scope / Direction  
Inadequate / Untimely Training  
Elimination of Critical Tasks  
Lack of Continuous Participation of Executive / Key Management

involvement. As each new facility was brought online, the team evaluated existing personnel and trained a core group in how to use the system. It became the plant's responsibility to disseminate the processes and procedures throughout the remaining members of the organization.

Long hours prevailed for the project team as many of the members spent all day working on the project and then many additional hours at night attempting to catch up on their normal activities. Training was conducted early in the project's timeline in an effort to get it completed before the first plant went "live" on the system. As a result, several testing phases were skipped and the project team did not have sufficient time to accomplish all the tasks.

Project team members passed all new enhancement items for consideration up to the project manager who discussed them with the CFO. Several of the enhancements were added to the scope of the project, which meant a redesign of business processes in the purchasing and manufacturing planning areas.

The project appeared to be progressing smoothly until the second site was brought online. Suddenly the project team found themselves overloaded with their original responsibilities, continued support required by first plant, and the training requirements of the second plant. In addition, the second plant complained that the ERP business solution did not fit its business requirements, so significant workarounds were created outside the system to accomplish daily tasks. Manufacturing supervisors complained about the changes in planning

and supply chain activities, so additional issues were identified which took several weeks to resolve.

Last, the project team bypassed critical testing requirements identified in the plan, and several sites, including the plant with the largest manufacturing capacity, were not using the system by the pre-established date.

### THE RESULTS

#### BCD Company

BCD project team members missed the first go-live date for the first plant by one week because of constraints associated with the late delivery of technical hardware to support the implementation. But efficiencies in testing and data conversion enabled the team to accelerate two other plant dates, which means the overall project was delivered on time and within budget. Success was celebrated as each major milestone in the project plan was achieved. At the conclusion of the project, the entire company recognized the project team at a project day picnic at a local theme park. Follow-on phases have incorporated 40% of the issues and improvements identified by the project team during the initial phase, and the ROI for the project has exceeded the original budget by 15%. When asked if the project had been a success, plant managers eagerly stepped forward to answer with a resounding "yes!"

#### WYZ Company

Outside consultants and the software vendor were called in to help rescue the project and get it back on schedule. The project exceeded the original budget by

125%, and the last three plants were four months late implementing the system. Nearly 35% of the project team had left the company before the completion of the project, and project burnout was identified as the number one reason for employee turnover during exit interviews. When asked if the project had been a success, plant managers said they wanted to return to their historical systems and processes.

### CONCLUSION

Both companies used the same software, implementation methodology, and outside consulting organization to facilitate their individual projects. One company considers its project a great success, and the other, a severe failure.

In retrospect, the critical differences between these two rapid ERP implementation projects is not the software or the methodology but, rather, those attributes most common to all accelerated projects that are most frequently overlooked.

People and processes are the singular factors that will ensure success or create failure when measured against your timeline and milestones. Adequate preparation, planning, and project management are the insurance factors that facilitate a successful rapid implementation. ●

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