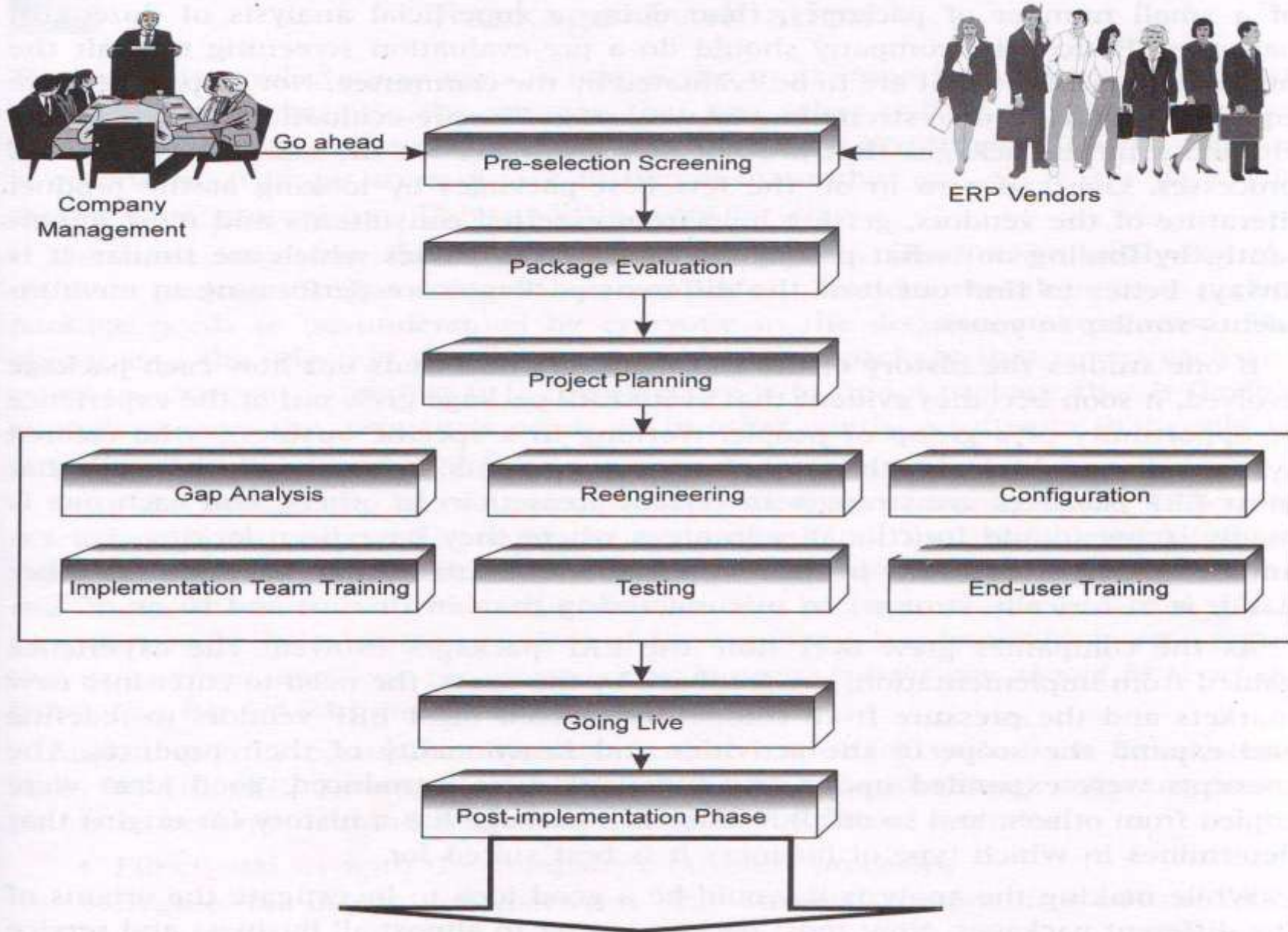# UNIT 5

ERP Implementation Issues

Syllabus

- Opportunities and problems in ERP selection and implementation
- Identifying ERP benefits
- Team formation
- Consultant intervention
- Selection of ERP (package selection)
- Process of ERP (implementation phases)

ERP implementation Lifecycle-Different Phases

ERP implementation Lifecycle- Different Phases

1. Pre-evaluation screening
2. Package evaluation
3. Project planning phase
4. Gap analysis
5. Reengineering
6. Customization
7. Implementation team training
8. Testing
9. Going live
10. End-user training
11. Post implementation

1. Pre-evaluation screening

The purpose of this phase is to eliminate those packages that are not at all suitable for the company's business processes.

2. Package evaluation

- In this phase the ERP package that is best suited for the organization is selected. Some important points to be kept in mind while evaluating ERP software include:

  i. Functional fit with the company's business processes
  ii. Degree of integration between the various components of the ERP system
  iii. Flexibility and scalability
  iv. Complexity
  v. User friendliness
  vi. Quick implementation

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vi. Ability to support multi-site planning and control

vii. Technology-client/server capabilities, database independence, security

viii. Availability of regular upgrades

ix. Amount of customization required

x. Local support infrastructure

xi. Availability of reference sites

xii. Total costs, including cost of license, training, implementation, maintenance, customization and hardware requirements.

3. Project planning phase

- In this phase the details of how to go about the implementation are decided.
- In this phase the time schedules, deadlines, etc. for the project, are arrived at.

4. Gap analysis

- Gap analysis is a phase in the ERP implementation, where the organization tries to find out the gaps between the company's existing business practices and those supported by the ERP package.
- This is the process through which companies create a complete model of where they are now and where they are heading.

- The 'gaps' are classified into the three heads:
  - Gaps which can be taken care of with a little programming effort.
  - Gaps which involves an extensive programming effort and hence require extra resources.
  - Gaps which cannot be taken care of in the system.

5. Reengineering

- **It is the complete redesign of a system with the objective of changing its functionality.**

6. **Customization**

The process of modifying products or services to meet the requirements of individual customers.

7. Implementation team training

- This is the phase where the company trains its employees to implement and later run the system.

8. Testing

This is the phase were the system that is being implemented is tested for any problems, bugs, errors, etc.

9. Going live

This is the phase where ERP is made available to the entire organization.

10. **End-user training**

This is the phase where the actual users of the system will be given training on how to use the system.

11. Post implementation

This is the phase where the actual users of the system will be given training on how to use the system.
- Post-live assessment
- Training and documentation supplementation
- Centre of excellence design and implementation
- Change management and organizational design services
- Knowledge management
- Business process consulting
- Configuration services
- SCM system deployment
- Lean manufacturing consulting and integration

WHY DO MANY ERP IMPLEMENTATIONS FAIL?

1. Lack of top management commitment and support
2. Improper planning and budgeting
3. Use of wrong ERP tool
4. Lack of training
5. Work culture of the organization
6. Failure of ERP software implementation
7. Failure of user acceptance

ERP IMPLEMENTATION METHODOLOGY

1. Identification of the needs for implementing an ERP package.
2. Evaluating the "as-is "situation of your business.
3. Deciding upon the desired would-be situation for your business.
4. Reengineering of the business processes to achieve the desired results.
5. Evaluation of the various ERP packages.
6. Finalizing of the ERP package.
7. Installing the requisite hardware and networks.
8. Finalizing the implementation consultants.
9. Implementation of the ERP package.

Identifying ERP benefits

Operational level

- Cost reduction

- Cycle time reduction

- Productivity improvement

- Quality improvement

- Customer services improvement

Managerial level

- Improved resource management
- Better decision making
- Better planning
- Performance improvement

Strategic level

- Support business growth
- Support business alliances
- Build business innovations
- Build cost leadership
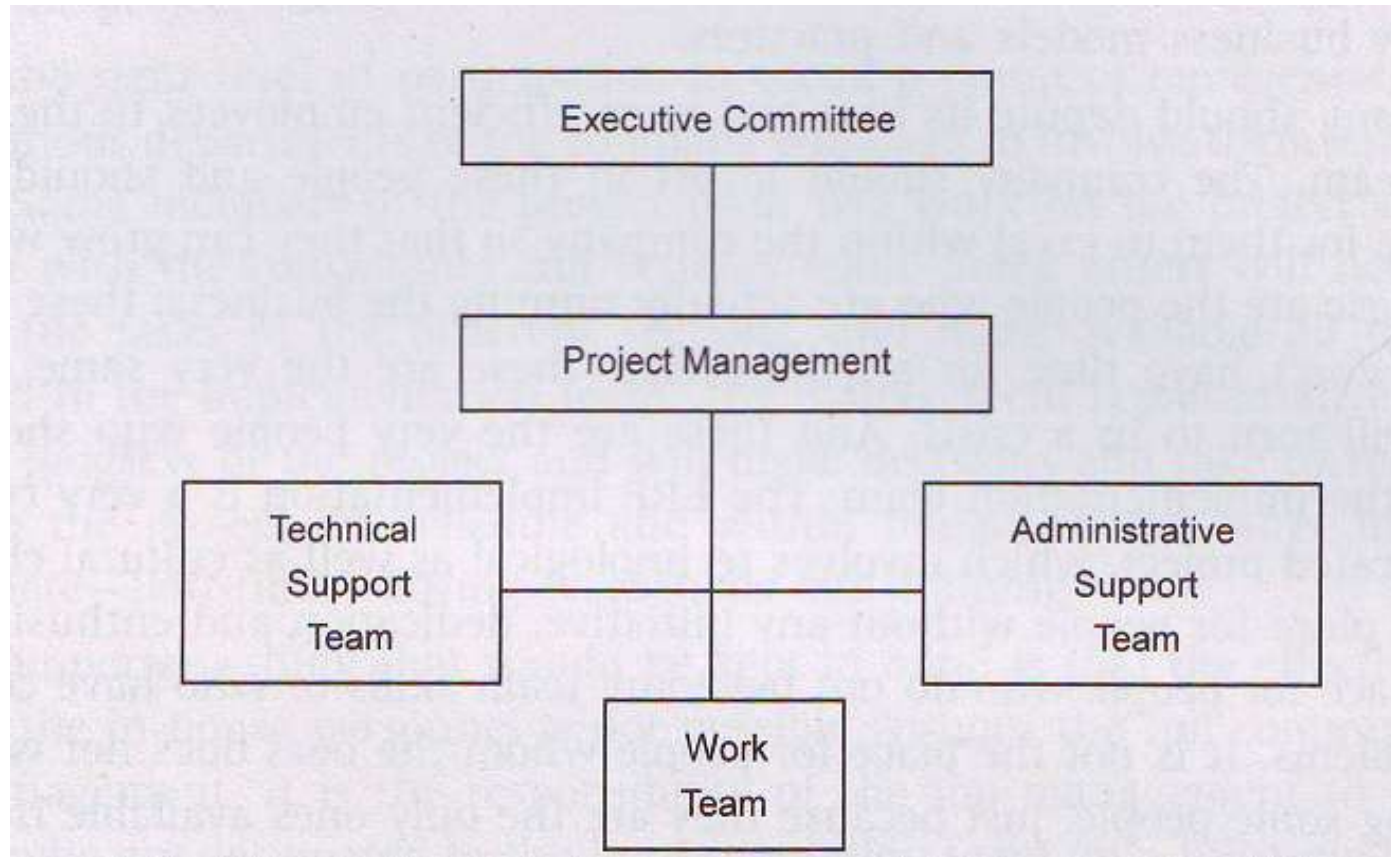- Generate product differentiation
- Build external linkages

IT Infrastructure level

- Build business flexibility
- IT cost reduction
- Increased IT capability

Organizational level

- Support organizational change
- Facilitate business learning
- Empower employees
- Build common vision

Team formation (implementation team)

Executive Committee

Project Management

Technical Support Team

Administrative Support Team

Work Team

Executive committee

- The executive committee is made up of the company's top management and headed by the person who is in-charge of the ERP project implementation.

- The committee should also include the consultant team's liaison officer- the person who has been designated by the consulting firm to report to the executive committee.

- A similar person from the package vendor.

- The executive committee is responsible for monitoring and evaluating of the project and its progress.

- The executive committee is the body, which approves budgets and initiates corrective actions when things are not going according to the plan.

- The executive committee should establish a reporting and monitoring mechanism by which it will know how everything is progressing.

Project management team

- The project management team is comprised of the technical leader (leader of the consultant team) and the executive committee head.

- The team can also have a senior representative from the vendor's team.

- These people are responsible for conducting the scheduled work, administering the project, communicating with the in-house team and the consultants, and reporting to the executive committee.

Work team

- The work team is composed of people who will actually perform the tasks set forth in the project plan.

- These tasks range from extracting information about the current system from users to monitoring the start-up of the new system.

- The team's job requires team spirit, a cooperative attitude, good communication skills, patience, persistence and self confidence. The work team includes the hired consultants and the in-house team.

Technical support team

- The function of the technical support team is to create an environment that is suitable for the implementation of the software. This team works very closely with the work team and takes care of issues like:
  - Data migration
  - Data backup
  - Recovery
  - Hardware infrastructure
  - Performance tuning

Administrative support team

- The job of the administrative support team is to make the life of all the others in the implementation team easier, so that they can concentrate on their tasks and be more productive and efficient.
- They are responsible for making
  - Available workspace
  - Tables
  - Conference rooms
  - Telephones
  - Stationary
- The duties also include
  - Arranging meetings and conferences
  - Informing the people
  - Taking photocopies of the document
  - circulation

CONSULTANT

- Business consultants are professionals who specialize in developing techniques and methodologies for dealing with the implementation and with the various problems that will crop up during the implementation.

- They are experts in the administration, management and control of these types of projects.

- They will be good at all phases of the implementation lifecycle, right from package evolution to end-user training.

- They are very expansive. Thus, consultants are people who have made the business and have invested huge amount, of money and manpower for that purpose.

- The cost of consultants is 1.5 to 3 times for every rupee invested in the software product.

- So, finding the right consultant people is very important.

Role of consultant

- Consultants are responsible for administering each of the phases of the implementation, so that the required activities occur at the scheduled time and at the desired level of quality and with effective participation of all those who must participate.

- Consultants should add value to the project. Consultants should also know how to remain impartial while questioning current company processes in an effort to promote better businesses practices and better implementation results.

- The consultants are also responsible for analyzing and clearly addressing the customization issues.

- It is the duty of the consultant to understand the total context and scope of the envisioned work and to know when to alert the company management about actions and decisions that must be undertaken so that the job will not be customized and the implementation will not be jeopardized.

VENDORS

- Vendors are the people who have developed the ERP packages.
- They are the people who have invested huge amounts of time and effort in research and development to create the packaged solutions.
- The ERP vendors spent billions of rupees in research to come up with innovations that make the packages more efficient, flexible and easy to implement and use.
- Also with the evolution of new technologies, the vendors have to constantly upgrade their product to be able to use the best and latest advancements in technology.

Vendor's selection criteria

- Domain knowledge
- Adequate manpower
- Project management skills
- Long existence in the field
- Experience and expertise
- Strong track record
- Ability in handling changeover
- Financial stability
- Resources (employee strength, hiring process)
- Flexibility
- Confidentiality comfort (security policies, protection norms)

Role of the vendor

- The vendor should supply the product and its documentation as soon as the contract is signed.

- Only after the software is delivered, can the company develop the training and testing environment for the implementation team.

- The vendor is responsible for fixing any problems in the software that the implementation team encounters.

- Another role of the vendor as a trainer- to provide the initial training for the company's key users, people who will play lead roles in the implementation of the system.

- Vendor's training should achieve the goal of showing the key users how the package works, what the major components are, how the data and information flows across the system, what is flexible and what is not.

- The company's employee who is participating in the vendor training should try understanding the characteristics of the package and the impact of the system on their business processes.

- The vendor also plays an important project support function and must exercise the quality control with respect to how the product is implemented.

- It is the vendor who understands the finer details of the product and can make valuable suggestions and improvements that could improve the performance of the system.

- There will be 'gaps' between the package and the actual business processes.

- The software might have to be customized to suit the company's needs.