



White Paper

**Executive Guide to Selecting,
Implementing and Operating ERP**



Strategic Approach to Selecting, Implementing and Operating ERP

The business objective you are trying to achieve determines the strategy you should follow when selecting, implementing and operating ERP.

In practice, business objectives do not play much of a practical role in the ERP selection process.

Executives merely instruct their people to pick the “best” system that will work for their business and “does not cost too much”. ERP implementation projects are more often managed on the basis of what the ERP implementation partner company knows, than by what the client requires. Once the system is up and running, executives just want ERP to “keep working”.

An objective-driven way to think about ERP will help deliver value and minimize risks throughout the process of selecting, implementing and operating ERP.

In particular, you should understand how an objective-driven ERP process will help with the following risks and benefits.

- Set a strategy that eliminates much of the confusion often associated with the selection process when acquiring an ERP system.
- Reduce the risk and wrenching dislocations that accompany some implementations.
- Operate ERP in a way that achieves business objectives and brings business benefits.

Putting Business Objectives First

If you are in the process of purchasing an ERP system, or you are preparing to embark on the process, you need to be able to answer the following question: What are you trying to achieve with ERP and why do you want to do it?

In a large number of cases, business executives are unable to answer this fundamental question.

Before spending money on ERP, you need to think through and answer the following questions:

- What strategic business objective will be served with ERP?
- What, how much and when will ERP contribute to this particular objective?
- How do the answers to these two questions influence what ERP system to select, how to go about ERP implementation and how to operate the ERP system once it is live?



What strategic business objective will be served with ERP?

If you don't know why you are buying ERP, then you are likely to be dissatisfied with results.

Defining your objective up front will let you establish measures for determining success.

Exactly what you are trying to achieve obviously depends on your business and only you can provide the answer.

The answer usually relates to having a clear, all-encompassing view of specific aspects of the organization.

Which aspects? That is for you to determine.

Insight from these views can then be used to benefit the organization in a number of ways:

- Promote innovation,
- Improve customer service,
- Streamline operations,
- Reduce operating costs,
- Enable better decisions, and
- Expose opportunities and threats.

What, how much and when will ERP contribute to the business objective?

The widespread implementation of ERP across the world attests to the benefits that organizations derive from these systems. But ERP costs money—usually a lot.

Is it worth it?

Due to the strategic nature of ERP, making a quantifiable case for selecting, implementing and operating ERP in a particular situation is quite challenging.

What is the value of the following benefits of ERP systems?

- Improved alignment of business operations with business strategy.
- Reduced business risk.
- Improved financial management and corporate governance.
- Increased information visibility.

Trying to quantify these benefits requires debateable extrapolations and questionable hypotheses.

Trying to measure these benefits requires that you isolate benefits that are not isolated.

None of these difficulties lets one off the hook: firstly to justify the capital and operating expenses of ERP and, secondly to relate the ERP strategy to the business objective and business benefit.

Quantifying the benefits may not be possible. But it is critical that the benefits be clear.



- Which specific business objective or objectives are you pursuing with ERP?
- Can you quantify, even if just approximately, the contribution that ERP will make in achieving the above business objective?
- Will it be impossible or significantly more difficult to achieve this objective without ERP?
- Does ERP have to work perfectly to achieve the business objective or is there a 'good enough' level? What would such a level be?
- Can you calibrate the contribution of ERP; that is, quantify how many more business benefits will be achieved for every increase in how well ERP works for you?
- Is there a time-critical aspect; in other words, is the business benefit of ERP more significant if available prior to a certain date or event?

Before spending any significant time, effort or money on ERP, the executive decision-maker should think through the key challenge: What are you trying to achieve with ERP and why do you want to do it?

Break this question down into the business objective and business benefits parts respectively:

1. What strategic business objective will be served with ERP?
2. What, how much and when will ERP contribute to this particular objective?

The answers to these two questions should drive the strategy for selecting, implementing and operating ERP successfully.

Selecting ERP

The role of the executive decision-maker in setting strategy for selecting an ERP system revolves around the process of selection, not the selection itself.

With a few decades of successes and failures in ERP selection to go on, the world has pretty much accepted that the following are critical characteristics of a successful selection strategy.

- **Clear and unambiguous decision-making authority:** Specify the decision making authorities of the project manager, the executive decision-maker and the chief executive.
- **End user participation and buy-in:** ERP touches all core business processes. Ensure the selection team represents cross-section of end users.
- **Business process definition of requirements:** User requirements should be based on a description of business processes using models like SCOR and ARIS.
- **Clear and unambiguous policies and guidelines:** Make the limits on the selection explicit like whether or not a customised solution is acceptable or whether it is acceptable to adapt the business to the system.
- **Structured, rigorous selection process:** Use your business processes to define core functional requirements. Ensure non-functional requirements like stability of the vendor and scalability are also addressed.



It is common to structure the ERP selection process in five stages, although you may find that your specific business requires a different process.

1. Plan the acquisition, assemble the team and compile criteria and requirements.
2. Develop a long list of vendors and then start culling to about two to four short list candidates.
3. Evaluate the short list by asking for demonstrations on a pre-defined script scoring the alternatives based on your predefined criteria and requirements.
4. Select the ERP system that best suits the criteria.
5. Negotiate the deal.

Implementing ERP

ERP implementation horror stories are still quite common and well-documented.

ERP implementation time can also be a joy where your employees are excited about the new system, decisions are made quickly and things get done fast.

The difference between a well-run implementation and a poorly run one is often in control of the executive decision maker who ensures that strategy is followed in the implementation phase.

There are four key points for the executive to manage in the implementation phase.

- **Keep the objective in focus:** Implementing ERP includes both installing the software and changing the business process and people organization. Change management is the responsibility of the executive; your implementation partner cannot effect these changes for you.
- **Control the timeline:** Keep the most important aspects in focus and prevent lesser issues from hijacking progress.
- **Allocate the resources:** Ensure that adequate resources are made available to the implementation project, not too few or not too many. And make sure that includes executive time.
- **Manage the risks:** There are three key times in ERP projects where executives can have a major impact on the risks: when gaps between business processes and functionality are discovered, staying focused on business objectives when testing the solution, and asking hard questions in the run-up to the go-live time.

Operating ERP

Operating an ERP system is not a front-of-mind activity for most executives. But operating the system is why you embarked on this journey in the first place, and it is only after go-live that the business objective is achieved.



Success or failure is determined during this phase, and there are strategies you can and should follow to ensure that the ERP-enabled business benefits and strategic objectives are sustained and optimized.

- **Maintenance strategy for operating ERP:** There is a natural tendency for skills and processes to regress. Preventing this requires a deliberate strategy to maintain business benefits.
- **Improvement strategy for operating ERP:** Once ERP is implemented; employees will often seek improvements by implementing improved business processes and add complementary solutions. These improvements should be encouraged, but are also risks that need to be managed.

Conclusion

Implementing a new ERP system is a business-defining event. Companies usually use the same ERP system for a decade or more. It is unlike any other software purchase you are likely to make.

The business objective driven strategy that we have outlined here helps make this business-defining event a positive experience.

However, for a topic as big as ERP, this is only an inadequate outline. If you are serious about making your next ERP purchase a success, you should download our *Thinking About ERP* ebook from which the concepts in this post are derived.

The book covers the topics here in greater depth and it provides a system for classifying ERP projects and then applying the advice in this post to each class of project.

About SYSPRO

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SYSPRO, formed in 1978, has earned the trust of thousands of companies globally. SYSPRO's ability to grow with its customers and its adherence to developing technology based on the needs of customers is why SYSPRO enjoys one of the highest customer retention rates in the industry.



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