

Successfully Implementing a New Business System

Overview

Private Equity firms more than ever are looking for ways to improve the performance of their portfolio companies. As we all know, Information Technology (IT) has the potential to do just that, however the majority of system implementations are not successful, leading IT to be a barrier instead of an enabler. In this newsletter, we will outline how the probability of a successful implementation can be dramatically increased, and we will explain the factors that lead to projects being implemented on-time, within budget and, most importantly, will provide the functionality to allow your companies to maximize their value. In our Summer 2004 newsletter, we discussed the process of selecting the right new business system, and this article assumes that has taken place and we are now implementing the business application.

#1 – Realistic Expectations

Manage expectations correctly by first asking yourself this question: how ready is my organization to implement a new business system? It is important to not try to implement a sophisticated / stringent system if your organization is not willing or able to adhere to the strict process / data requirements of that system.

Next, everyone needs to understand the time and effort demands. The internal business community will have to dedicate a significant amount of their time to this project. We can't forget they already have a job so it is important to plan ahead to realistically determine the amount of time they can dedicate to the project. The project will not succeed without adequate participation on their part. No sense in going forward if they can't commit adequate time.

Then, review "true" costs: simply take the software vendor's estimates and double/triple that number. It is not quite that simple, but by the time you take into consideration all aspects of the project to include process changes, user training, change management, etc (the pieces they don't tell you about) you will be surprised at how high the number really is.

Last, it is important to gauge the initial impact of a new business system on the business. Vendors will not tell you this, but once you go live, the operational performance of the business will decrease across the enterprise for a minimum of six (6) to eight (8) weeks before it starts to get better. The overall message is to understand that the best run and most successful projects are very difficult and take time to yield positive results. Again, planning is critical.

#2 – A Qualified Team

Your project manager needs to have significant experience implementing enterprise wide new business systems. This individual must understand business operations, the technologies being implemented and, overall, have a solid project management background with many large enterprise system projects. Make sure the vendor's implementation team has a solid track record and is right for your specific project.

Senior management also needs to be actively involved throughout the project, so keep them involved. The functional user community typically bears the brunt of the project, and they are the ones that have to test the system and ultimately change the way they do their work.

Therefore, the best representatives from each functional area need to be part of the implementation team. A team that

has an experienced project manager, committed senior management, the most qualified users, and the right vendor has a significant opportunity to succeed.

#3 – Stringent Methods/Approach

A complete and comprehensive project plan is your roadmap to success. The vendor's plan to implement the software is generally inadequate, as it typically is only thirty percent (30%) of the picture. Implementing a system is more than the software. Business practices across the enterprise will need to change, another way of saying it is people's job's change and there are certain activities that will prepare functional users for that change.

Status reports should be prepared/updated weekly, and steering committee meetings need to be conducted frequently to stay on top of the project. The system will be configured to support the business requirements that were documented as part of the systems selection process. The step that is frequently left out is aligning business processes to the capabilities of these applications, so it is important to keep in mind that you will have to change the way you operate your business to match the functionality of the application, there is no getting around it. Once you have documented the new process which includes the gap between old and new, then users need to be adequately trained in a simulated environment called a "conference room pilot" before they use the system in a live environment. Utilizing the new system in the live environment should be old hat.

Last, a "go-live" plan is needed which includes all the operational issues that can and will go wrong. You need to plan ahead for these likely issues, so the decrease in productivity will be another expected event that will be dealt with proactively allowing us to realize the eventual benefits quicker.

Conclusion

First and foremost, know what you are getting into and don't bite off more than you can chew. Better to implement the basics versus shooting for the moon and getting no where. Have the right people on your team, use proven approaches/methods, measure as you go along, and lastly, be prepared for the temporary productivity decreases. These key success factors can lead to a successful project.