Minimizing System Implementation Costs

Overview

In our last newsletter we committed to focus future editions on implementing business process and technology solutions that increase the value of your portfolio companies. In this edition we will provide you with Performance Improvement Partner's streamlined approach to cost effectively implement a new enterprise system. Knowing your business priorities and keeping the implementation as simple as possible from the start are the keys to successful and cost effective implementations. Part of keeping it simple is knowing you can't always have everything you want, the cost differential between a suite of applications that meets ninety (90) percent of your requirements versus seventy (70%) can be significant, whereas the benefits can be marginal. The key is ensuring you have identified an application that meets your highest priority requirements. Second, if you are trying to keep cost to a minimum, leveraging an application that operates on your existing hardware and network platform is another way to keep costs down.

Set the Foundation

Implementing a new enterprise system is about business not technology. Therefore it is critical to start the project by having a thorough understanding of the business factors. Documenting the company's business objectives and critical business priorities is essential. This is valuable information that will serve as the foundation and driver for the technology priorities (i.e., high priority areas and benefits for automation). Equally important is knowing the exit strategy to include time-frames; this will determine the appropriate implementation approach.

Define Your Business Systems Requirements

Before you can select a system, you need to know what you need it to do. This is called defining your business system requirements. To expedite the process and ultimately reduce effort/cost it is helpful to obtain a cross-functional list of requirements by function. No company is completely unique; therefore at PIP we always leverage our archives (preexisting industry specific list) providing a place to start which stimulates ideas and greatly reduces the time/costs to our clients. The key is to build on the list by modifying/deleting what is already documented and adding the company's unique requirements. Finally, functional users need to identify both the hard financial and soft benefits associated with individual requirements. The hard will serve as the financial justification for the new system. No system should be implemented without adequate financial justification, in other words it needs to pay for itself.

Select the Application

Again, it is important to work with a firm that has knowledge of the most relevant industry specific vendor systems. It is also important to include the current in-house applications in the selection process. We frequently find that the current application(s) has capabilities that extend beyond the business community's awareness. In many cases it is not necessarily a functionality issue but rather more of a training/awareness situation.

The ERP market has become extremely competitive, which is great for the buyer. To further the good news, the functionality gap between tier 1 and tier 2/3 vendors has reduced significantly, where as the price differential remains significant. Therefore, in smaller to mid-sized companies, we find that bypassing the tier ones and going with reputable tier 2 or 3 vendors is the way to go. There are numerous high quality companies in this space.

The process for selecting an application should also be streamlined. Working demonstrations where the functional users get to actually use the system is important. A session should be conducted where the users have a script with their business systems requirements in hand so they can experience first hand how the systems features and functions fulfill those requirements.

Planning and Implementation

Finally implementation, it is critical to have a complete plan that takes into consideration all viewpoints of the effort. We find time and again, the vendor provides a very vague project plan that is incomplete.

At PIP our definition of a system is not just installed and configured, rather processes have changed, policies and practices are in place, users have been trained on the system and measurements have been put in place to make sure results are achieved. All of these steps, to include user time requirements and the total cost of implementing the system need to be clearly understood up front, not learned during the project when it is perceived to be too late to turn back. The ERP world is filled with casualties where the upfront costs and effort were only a fraction of reality. Our clients know exactly what they are getting into.

Throughout the implementation of the system and the associated business process changes it is critical to use a compulsive approach to managing the project. At Performance Improvement Partners we provide weekly status reports, hold regular meetings and develop/manage/update a detailed project plan. It is our job to drive this project to a successful conclusion.