7 STEPS TO EFFECTIVELY ORGANIZE AN ERP PROJECT

Paper Summary

One of the most compelling questions faced by a manufacturing company is how to effectively organize an ERP project, and use ERP for an effective change management process.

- This paper shares seven tried and true strategies for manufacturers to effectively manage an ERP selection project.
- The initial series of steps range from thoroughly analyzing expected ROI, to setting and communicating the priority of the project within the organization.
- Additional steps pertain to selecting the team, educating all team members in ERP best practices and system knowledge, as well as issuing a project charter.
- Finally, a key step is to consider the timing of the ERP project.
Competitive Challenges

The continuing challenges of a volatile economy require middle market manufacturing companies to keep their operations as lean as possible. As a result, most companies are burdened with a resource-intensive process when selecting and implementing a new ERP system.

Compounding the challenges are the never-ending demands of customers, complex supply chain, increasingly competitive market conditions and other scenarios that consume any available time and resources.

Change Management is also a major focus in today’s business world. When implemented effectively, an ERP solution can be part of a planned approach to manage change within an organization thorough benchmarking of best practices for improved workflow.

Given these conditions, a compelling question faced by a manufacturing company is how they can effectively organize to take on the demands of an ERP project.

After hundreds of effective selection and implementation projects in a range of vertical manufacturing industries, Ultra suggests the following seven steps to effectively organize an ERP project:

1. **UNDERSTAND THE ROI**

In most cases, the need for a new ERP system is felt within the entire organization. As an ERP project gets underway, management must clearly understand the needs, the alternate solutions, the cost, the benefits of the solutions, and the return on investment. Management needs to be educated so that it understands the ROI of improved business processes throughout the organization.

In terms of ROI, it’s wise for manufacturers to track both direct and indirect benefits that are anticipated from a new ERP system. The anticipated return must consider process improvements including a more streamlined ordering process, reduction of physical inventory counts, improved production quality, better scheduling and more. Other savings should come from access to real-time information for more accurate materials planning, integrated databases, streamlined information reporting, dashboard reporting and other uses of real-time data.

We also suggest manufacturers assess the economic impact of a return achieved from customer satisfaction, enhanced supply chain communication, improved decision-making quality, delivery performance, and more.
2. SET THE ERP PROJECT PRIORITY

Management must understand that an ERP project is a major undertaking which impacts the entire organization. It is management’s job to prioritize the demands placed on the organization. An effective rule of thumb for the CEO is “if a new ERP system is not one of your top three priorities, delay it until it is”. If management clearly understands the return on investment, they will make it the top priority when the ROI is at the top of the list.

When the priority is clear and supported by executive management, there’s a better chance for obtaining real-time business intelligence via a new ERP system.

IF A NEW ERP SYSTEM IS NOT ONE OF YOUR TOP THREE PRIORITIES, DELAY IT UNTIL IT IS.

Without setting a clear priority, the project is doomed to failure. Users perceive the project as something that is fuzzy in terms of organizational priority; users and department heads will not buy in and therefore will not feel the need to invest the time necessary to implement a large ERP system successfully.

3. EXECUTIVE COMMITMENT, COMMUNICATION

The ERP project requires the commitment of the entire organization, including all top executives of the company. The executive team needs to set the tone by communicating the importance of this project. The project cannot be viewed as an expense to make computers go faster. It must be viewed as a productivity improvement investment to make the company more competitive, profitable, and successful. The investment is as important as a new plant or a new product line. The executive team needs to give this project the same attention that any other top priority project would receive.

Here’s where thorough communication comes into play. Set up a detailed communications plan to bring the news of the project to each department – from shipping, warehouse and production to the front office.

4. ESTABLISH THE TEAM

The project requires the best resources from the organization. The project needs a steering committee, an executive sponsor, a project manager, and a team of the best business users. The steering committee should be made up of the CEO and the top executive from each functions of the business that will be affected by the new system.

Project Sponsor: Give careful consideration to the ERP project sponsor. The executive sponsor should be the executive who is going to drive the project. In many successful projects, the sponsor is an executive who has been through an ERP project before.
Project Manager: The project manager is a critical position that will grow quickly into a full time position. The project manager should thoroughly understand all of the parts of the business that will be impacted by the new system.

If a full time resource cannot be found, supplement with resources who provide outside project management experience. The project management should report to the executive sponsor. Previous ERP project experience is preferable.

ERP Team: The project team must consist of the most effective resource from each of the functions impacted by the new system. They should be empowered to recommend the right system for the company since it is the team that guides the rest of the organization to use the new system to improve the business. The team is usually made up of 5 to 10 members representing:

- Sales & Marketing
- Customer Service/Technical Service
- R&D/Engineering
- Manufacturing
- Supply Chain
- Production
- Quality
- Plant Maintenance
- Finance
- IT

The structure of the team can be more complex if there are multiple locations involved. Bring into the project the key users and managers at different points of the project to add subject matter expertise as needed.

5. EDUCATE THE TEAM

As noted earlier, an ERP project is a “business process improvement” project. The overall purpose is to implement improved business processes that are enabled with new technology. It is the team’s responsibility to determine the “best practice” processes to be implemented.

Education is key. To effectively chart a course toward a “vision” of improved processes, the team needs education in current capabilities of today’s modern systems. We’ve found that the typical ERP project team does not have a good understanding of “best practices”. Team members know their current system or what they knew in their past, which is at least two years outdated.

This is why we suggest that this phase of an ERP project include a thorough education curriculum using vendors, Internet subject experts, webcasts, seminars, consultants and other resources.
6. ESTABLISH A PROJECT CHARter

The ERP project needs a well-defined charter that clearly states its mission and objectives. The project charter should be endorsed by the entire project organization. The charter should include the following topics:

- Project Mission Objectives
- Organization (resources)
- Organization Responsibilities
- Scope
- Problems
- Needs
- Alternative Solutions
- ROI
- Benefits of new system
- Costs (over 5 years)
- Expected Returns (over 5 years)
- Budget
- Schedule

A WELL-DEFINED CHARter CLEARLY STATES THE ERP PROJECT’S MISSION AND OBJECTIVES.

7. CONSIDER PROJECT TIMING

In any ERP project, sooner or later the question arises, “how fast can we select and implement this ERP project?”

That’s an understandable question. Transforming a legacy system to the latest software solution is not a quick project. As noted on the previous step, setting a schedule is a key part of the charter.

We include the timing issue as a separate step, because at Ultra, we place a great deal of emphasis on ERP education in a selection project. The faster your team can learn, the faster the velocity of the entire project.

Taking into consideration the previous steps outlined above, the question should not be how fast can we select a new ERP system, but how fast can we get the team educated and ready to get through the project on the most direct path.

Do not focus on ERP selection speed; focus on ERP education and understanding how new business processes in new ERP software will improve the business.
Closing Thoughts

Why take the time to work through these seven steps when organizing your ERP project?

Simply put, an ERP project is a major endeavor for any company. Its first year costs will exceed 1% to 3% of annual revenues. If done properly, the project return on investment can be three to five times costs. If done poorly, the company spends precious resources to implement a new system that does not meet expectation.

That's why to build a foundation for success, we encourage manufacturers to take the time to follow these steps and put in place the most effective organization.

About Ultra Consultants, Inc.

Ultra Consultants is an independent research and consulting firm serving the manufacturing and distribution industries. Organizations turn to the Ultra team for ROI-driven ERP technology expertise and business process management that improves revenue and customer satisfaction, enhances financial management and real-time decision making, improves productivity and reduces time to market. The world's middle market companies make up the Ultra Consulting client roster including aerospace and defense; automotive; chemical; consumer goods; electronics; food and beverage; industrial equipment; medical device; metal fabrication and plastics manufacturers. Ultra Consultants offer deep experience in manufacturing process optimization. The team averages over 20 years manufacturing and process experience with professional certifications in APICS, Lean manufacturing, Six Sigma Green and Black Belt, and Project Management.   www.ultraconsultants.com