HOW TO SUCCESSFULLY IMPLEMENT AN ERP:

A guide to avoiding abandoned implementation

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I WAS REALLY EXCITED WHEN PEOPLE IN THE MANUFACTURING INDUSTRY STARTED TO TALK ABOUT AI. I THOUGHT, WOW, IT'S GREAT THAT THERE IS ALL THIS BUZZ IN OUR INDUSTRY ABOUT SUCH AN IMPORTANT TOPIC. But then I realized they were all talking about Artificial Intelligence, which for the average manufacturer doesn't really have that much of an impact on their business. Instead I thought they would be talking about a different AI — Abandoned Implementation of ERP systems.

ERP systems are crucial tools for manufacturers in today's fast-paced industry. As manufacturing gets more customized and more complex, manufacturers need a tool that's lets them get a handle on their entire operation and move jobs more seamlessly through their shop from quote to cash. But getting an ERP right is difficult.

Most ERP implementations and installations are considered failures**.** Systems are purchased, but never fully installed or fully functional, leaving manufacturers frustrated. And a tool that should help manufacturers to grow and increase their throughput, instead becomes an irritation.

I'm not going to sugarcoat it for you. Implementing an ERP is difficult and disruptive — and it should be. Implementing an ERP is one of the biggest, most wide-sweeping changes you can make as an organization. And as with any change it brings challenges and roadblocks with it, that you need to overcome. But change is also your path to growth. To achieve your goals, to grow your business, to become a more effective and efficient organization, you have to embrace a little bit of chaos to come out on the other side.

And there are things you can do to not be a statistic, but to be among the 25% of companies that get ERPs right. Proper planning and preparation, training and perseverance will help you deal with disruption and bring you the desired outcome — a fully functioning ERP system that your staff knows and loves. Read on to learn how to prep your staff, take control of your ERP implementation, and to ensure that you don't fall into the AI trap.

Jean Magny
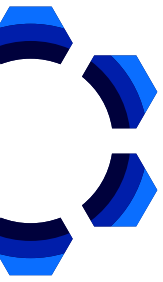**President and CEO, Genius Solutions**

KEY TAKEAWAYS

75%

of ERP implementations are considered failures — but you don't need to be a statistic

- Successfully implementing an ERP system requires proper planning, preparation, and communication

- Think about how much time and effort you put into training a new employee — consider your ERP system in similar terms

- ERP implementations are disruptive. If you know and acknowledge this up front, you can put systems in place to manage the chaos and help you persist and achieve your goal

- ERP systems that provide accurate, real-time information about daily operations help companies reduce operational costs by 23%

INTRODUCTION

IT SEEMS LIKE EVERYWHERE I TURN THESE DAYS THE TALK IS ABOUT SMART FACTORIES, MANUFACTURING 4.0, AND ARTIFICIAL INTELLIGENCE.

It's not that I don't think that these new technologies can be beneficial and have a major impact on the manufacturing industry, but I do think that before manufacturers run full steam ahead with these new technologies they should get back to basics first, and hone the digital technology they are already using. In fact there is a different AI that I think manufacturers need to be concerned about: abandoned implementation of ERP systems. An ERP system is the first step to digitally transforming your company, and is one of the biggest technological changes a manufacturer can make to improve their business processes and increase their throughput and profits.

But we've all heard the ERP horror stories — bud-get overruns, projects that drag on for months, or even years, and systems that are only partially implemented with limited functionality. Implementing an ERP system can be hard, and in fact, 75% of all ERP implementations are considered failures.[1] 75%! Every time I hear that statistic it floors me. An ERP system is so beneficial, and vital, to modern-day manufacturing plants, yet it's something that so many manufacturers, and quite frankly, ERP system providers are getting wrong. (As an aside I want to let you know that not all ERP providers get it wrong. Genius Solutions has an industry-leading implementation rate, because we have decades of experience in the manufacturing industry, and the deep knowledge that comes with that. We do things differently than other providers, and are able to get an ERP system up and running in a timeframe that makes sense for busy manufacturing shops.)

Implementing an ERP system is a challenge — and in all honesty, it should be. It's a system capable of improving every aspect of your business, and it impacts every single one of your departments, and all of your employees. If it was easy, it wouldn't be very effective. The fact that it's going to be a challenge is not a bad thing — as with most good things in life, you need to work at it to get it right. To successfully implement an ERP system you need to be honest with yourself about the process before you get started. Proper preparation, and a change in perception, will help you identify and overcome the difficulties you're certain to face, and increase your chances of avoiding AI.

1 Gartner
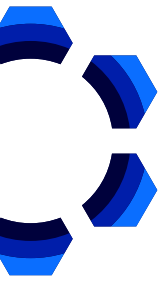
IT'S NOT A LACK OF TIME.

It's time for some straight talk.

THE NUMBER ONE REASON I HEAR FROM MANUFACTURERS WHO HAVE DELAYED OR COMPLETELY GIVEN UP ON THE IMPLEMENTATION OF AN ERP SYSTEM IS LACK OF TIME. Company executives will recognize a need for the software, make a large investment in purchasing the system, and then when it's time to actually install the ERP, the company will come back and say "We don't have the time to put the system in place, maybe in six months we can do it," or "Our operations manager says he is already too busy, he needs at least three months to sort things out before he can make it happen." Time and again manufacturers will say that they just don't have the time right now to invest in setting up a new ERP.

And when a manufacturer does tell me that they don't have time, I answer back: you do have the time, what you are lacking in is vision. This might be a little blunt, but frankly speaking there will never be a right time to implement an ERP. Does that mean I think you shouldn't do it? No. It means you need to make the time for it now, and clearly communicate your vision, and your company's needs, throughout your organization.

Manufacturers who come to us to purchase an ERP system are companies that are on the cusp of rapid growth, or already growing. These manufacturers need a solution to make their operations more efficient, and have recognized that an ERP is the right tool to increase their throughput. But because they are growing they are busy! And six months down the line, as the company continues to grow, they will be even busier, the operations manager will be even more overwhelmed, and that manufacturer will still not have time to put their ERP in place — and will most likely abandon the implementation project altogether, putting them not just right back at square one again, but even further behind as six months of growth and six months of unsolved problems have accumulated.

My honest advice: embrace the disruption and live with the instability for a while. As a growing company, you are already functioning at a hectic pace. You know your team can handle it, so, as the saying goes, there is no time like the present. Invest the time to put the system properly in place now, and you will be in a much better place in six months time.

COMMUNICATE,
communicate, communicate.

THE BEST WAY TO GET YOUR STAFF ON BOARD WITH THE IMPLEMENTATION PROJECT IS TO COMMUNICATE YOUR VISION. You, or someone in your company recognized the need for an ERP. But come implementation, you are experiencing push back from your employees because even though they know a new system was purchased, and even though they may appreciate that a new system is needed, they may not entirely understand why, and they especially may not want to go through the disruption that a new system will bring to their jobs. That's natural as change is difficult.

I'll be very straightforward with you — implementing an ERP is tremendously disruptive, and one of the biggest projects you will ever undertake as a manufacturer. 66% of organizations experience operational disruption when implementing an ERP system.[2] It will impact every department in your organization, many people in your company will be personally affected, and it will change how your employees do their jobs. If they don't understand why the new system is being put in place, they will resist the change, and you'll risk the project falling apart completely.

It's on you to share your vision with your team. Have straightforward and open lines of communication with your staff. Let them know why the company needs an ERP, how it will streamline operations, and the benefits it will bring to the entire organization. But also be open and honest about the disruption it will bring to the workplace, and the time and resources it will take to implement. If your staff understands your vision, and understands why they need to change how they do their jobs, they will be more receptive to the system, and your implementation will stay on track.

2   Panorama Consulting

It's also important to get key users and stakeholders within your company on board with the new system from the very beginning. If you know how important the operations manager will be to the ERP implementation process, get him involved with the system from the start. Make sure he understands the importance of the new system to the business and that he is an invested participant in the project. This way instead of being someone who can delay and derail the implementation process, he is an ally and a partner — and he'll actually help you get other people on board.

I would also strongly advise you to pick an internal champion for the project. You will obviously have a selection team in place that helped evaluate and select an ERP system, but I strongly encourage you to pick a single person to act as a champion for the project, and to be responsible for the system as a whole. This individual needs to be able to walk a tight line between having a great deal of authority and influence over the company, but someone who is also open, approachable, and has excellent communication skills. Your champion needs to be someone who has the ability to influence others within your organization, the authority to escalate issues and get them resolved quickly, but also be someone who your staff feels comfortable coming to with their concerns and issues. After your ERP is in place this person should continue to act as an overseer of the system, ensuring the system is running smoothly, that the data in the system is accurate, and be a resource to turn to when an issue or problem arises.
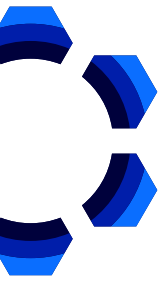
A SUCCESSFUL IMPLEMENTATION STARTS AT THE SALES PROCESS.

SUCCESSFULLY COMPLETING AN ERP IMPLEMENTA-TION PROJECT STARTS RIGHT AT THE VERY BEGIN-NING WITH THE SALES PROCESS. When you start shopping around and talking to different ERP providers, the sales representatives that you speak with will want to down-play the disruptiveness of an ERP, and only focus on the ben-efits of the system (of which there are many!), but not some of the challenges a system may bring to your plant. This may be an effective sales technique, as it will get you as a customer excited about the system, and willing to open your check-book, but it can actually backfire and put you on the path to AI before you have even signed on the dotted line.

I rarely see manufacturers abandon implementing an ERP system because of the technology — there are many excellent ERP providers out there, and it is important for you to find the one that aligns with your businesses goals and needs. A whopping ⅓ of ERP buyers did not even demo a system before buying it![3] And 67% of businesses report that they need a solution with more industry-specific func-tionality than their current ERP system has.[4] Select the right ERP for your business, but make sure that the ERP partner you choose to deal with doesn't just sell you on their sys-tem's features, but tells you about the challenges that you will face and the disruption to your business that you will see while implementing an ERP.

DID YOU KNOW?

1/3

ERP buyers did not demo a system before buying it

3 Capterra
4 Mint Jutras

A lack of communication and disclosure between ERP provider and manufacturer is where many ERP implementation projects fall apart. In Gartner's study of ERP implementations that failed, they found that 53% of businesses felt there was a lack of transparency regarding the implementation process and 55% of businesses said they wanted their ERP provider to have a thorough understanding of their business requirements, but didn't.[5] Not properly disclosing information and having open lines of communication can derail a project from the very start.

I like to be direct and honest with our customers, and have the lines of communication open during our sales process, but I'll be very honest with you — we have lost deals over this. When consulting with potential clients we will tell them that implementing an ERP is disruptive and will take time. And sometimes these customers will walk away from us because they tell us a competitor said it would take less time, be less disruptive, and would be an easy process. And you know what, when I reach out to these customers again, they tell me "I should have listened to you, you were right!" The ERP implementation project took much longer and was much more complicated and disruptive than the client thought it would be. And sometimes these customers have fallen into the AI trap and have not implemented their new ERP system at all, and are starting from scratch once again.

As a business owner looking to buy and implement an ERP system you need to be receptive and open to the truth. Ask the hard questions, but also be willing to hear the hard answers. ERP systems bring with them huge rewards, but with that comes, not necessarily huge risks, but large amounts of change, and some turmoil and turbulence. For example, 40% of ERP implementations cause major operational disruptions after go-live.[6] Knowing this from the start, and preparing yourself to have a resilient frame of mind, will make the transition easier, and help you keep your eye on the prize: a more streamlined operation and a fully implemented ERP system.
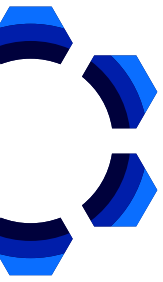
5   Gartner
6   Panorama Consulting

When I meet with new potential clients I don't want to sell them a system too quickly. Though this may seem counterintuitive, and possibly a bad business practice, it actually helps set both us as a provider, and you as a client, up for success. I not only take the time to review the features of our product, how it is built exclusively for SME manufacturers, and the many benefits it can bring to your business. But I also spend time discussing the challenges, the disruption, and the change that will need to be managed and overcome during the implementation process. Being informed upfront will help you as a client to better plan and organize the implementation process and get the right team in place from the very beginning. Be aware that the process will be disruptive, like all major changes, but that if you plan for it from the start it will go easier and you'll see the benefits of the system quicker.

After you have signed on the dotted line, the initial time period before you actually start implementing the system is crucial. This is the time to develop a strong relationship between the ERP consultant and your company. It's our job as the service provider to learn your business inside and out, and to fully take you through the timeline and process, and make you aware of the resources needed to successfully implement the system. But remember this is a two way street and both parties need to disclose information. We need to know the key people within your organization — and the ones that may also be resistant to the system. We also need to know how your business functions and runs now, what is going smoothly, where the problems are, and what your future goals are, so that we can identify priorities and put the right features in place first.

When we start working with a new client we provide them with an implementation success checklist, highlighting the steps that need to be taken to create a successful implementation project. It's important that both parties are upfront with each other, and spend a good deal of time on knowledge transfer before the project starts. Take time to Identify what are the most important things that need to be implemented. Get the right people on board from the start. Build plenty of time for training, and problem solving into the implementation timeline — you know you will run into snags along the way, so make sure you account for the time needed to sort them out. Know you will be living with some disruption and prepare yourself to be okay with chaos and instability for a short amount of time. Trust in the process and the experience of your consultant.

TRAIN YOUR SYSTEM
like a new staff member.

I'LL BE THE FIRST TO ADMIT THAT AN ERP IS NOT A MAGIC WAND. An ERP is an excellent system that can connect all of your departments, increase throughput, and cut costs. But at the end of the day it is only a computer program — a computer program making quick and accurate calculations from the data you have given it. And the old saying definitely runs true "garbage in, garbage out." If you set the system up with bad data, it won't do anything well.

Think about it: when you hire a new employee you take the time to train her correctly. You don't throw her to the wolves and expect that she will master the job on her own; instead you invest months into training and coaching her, helping her to perform her job well. Think of onboarding your ERP in the same way — you have to train the system the same way you would train a new employee. It's obviously not quite the same process, but you need to program the ERP system with good data and adjust the parameters accordingly to get the system up and running correctly.

Now imagine every department in your company is onboarding a new key employee at the same time — a difficult and disruptive task to say the least, and your company will needs to put time and energy into getting things up and running smoothly again. Onboarding an ERP is similar: you need to transfer knowledge and data into the system, you need to take time to make adjustments to get the system running smoothly, and you need to integrate the new system into your team. This process will have a few growing pains along the way, but if you approach it with the same care and understanding as you would a new employee, you'll have a much better success rate.

7   Ziff Davis
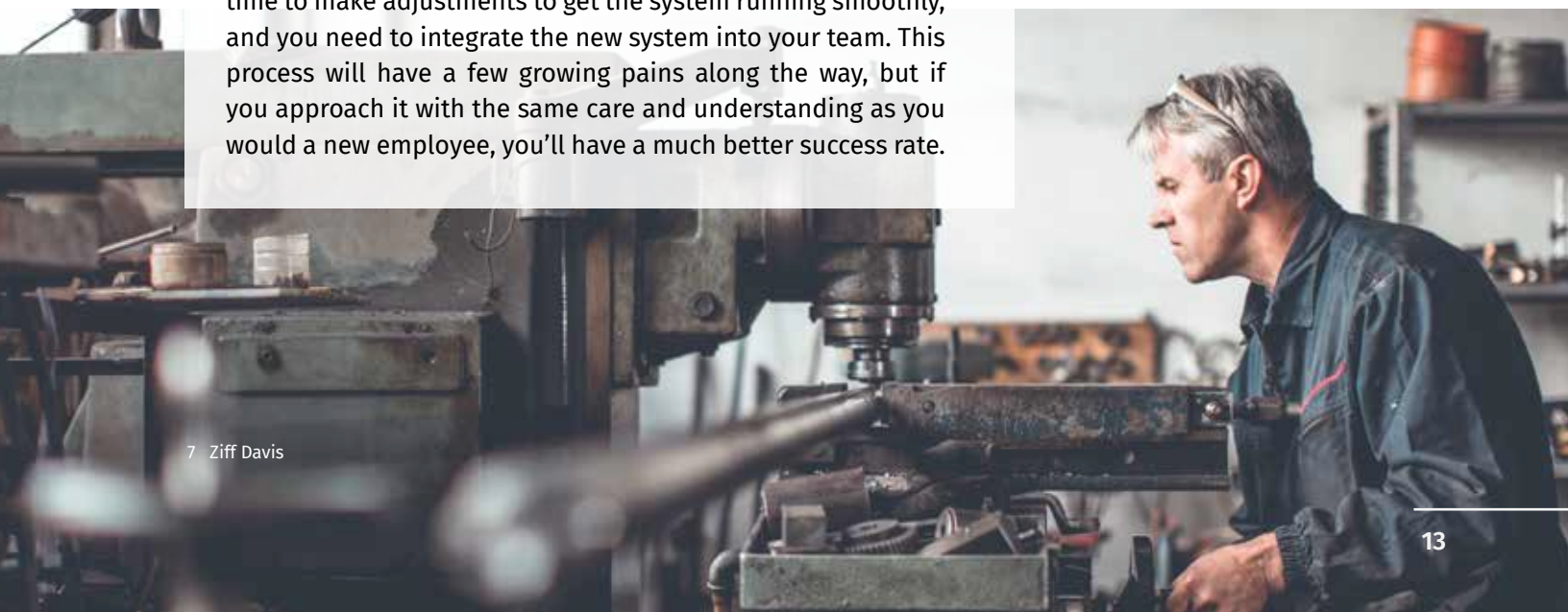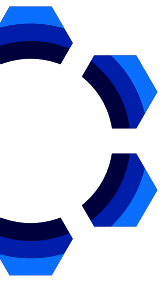
PLAN A SHORT IMPLEMENTATION TIMELINE.

AN ERP CAN TAKE MONTHS OR LONGER TO BE FULLY UP AND FUNCTIONING.
I just previously told you to take the time to get it right, so this may seem to contradict what I just said, but I urge you to plan a short implementation process, nothing longer than four to six months. Too many times I have seen manufacturers set long implementation timelines, only to see the project at risk of being abandoned a year down the road. With a long timeline it's all too easy to keep delaying the project thinking I'll get to it next month (when I have time!), only to find a year passes and no progress has been made.

A year is also a long span of time within a company, and the longer the time frame you give for implementation, the greater the chances of something unforeseen happening, like a key employee leaving the company, or a crisis popping up in another area of the business, that can derail the entire project. I know there is a chance that these can happen anytime, but there is less of a chance of one of these things occuring over a shorter period or time than a longer period of time.

And I can tell you from experience that if you start an implementation project, and then have to pause or delay it for a few months, you'll have a very difficult time getting that project back on track. You'll probably not only abandon your current ERP implementation, but you will also have a more difficult time next time you try to implement a project of the same size and scale.

If you start a project and you plan for it to take nine months, and after six months you need to delay the project for some reason, you've asked your team to put in a lot of extra hours and energy into something for nothing. Everything you've asked them to do will have to be redone (trust me on this — you will think you can start off where you left but this is never the case). And if you failed once in the past, it is going to take a lot more motivation to get people back on board again, and your staff will be much more resistant to try again. If you stall a project it's not just the dollars of the consultant implementing the project that you have lost, it's the energy, the motivation, and the trust of your staff.

If you start an implementation project that involves everything, and an unforeseen delay occurs, all the work you have previously done will be lost, and you'll have to start from square one again. But if you prioritize and plan to implement your ERP in phases, you will have a much better chance of succeeding. Not only will you get key features of your ERP up and running quickly, you'll be able to build upon the success you have achieved, not only giving your staff tools to help them streamline their jobs, but extra accolades and motivation for a job well done.

Continue to break your implementation up into realistic chunks, and you'll soon have the system fully operational, and will have a more streamlined operation. 41% of businesses fail to realize less than 50% of all the benefits of their ERP systems.[9] But if you break your ERP implementation down into achievable chunks, you won't fall into this trap.

The way to overcome this problem is to break your implementation project down into phases. 79% of ERP implementations are over schedule, and of these that ran over schedule, 74% of businesses cited an unrealistic project timeline and 76% cited organizational issues as the reason why their project didn't stick to the schedule.[8]

To avoid being a statistic, pick a set of priorities that you can realistically implement in a four to six month timeframe and work hard on getting those features up and running first. This requires a lot of planning and prioritizing from your team, and you will need to sit down with your key stakeholders to identify what is needed most from your ERP. This will also help you identify what features and functionalities are dependent on other components. Be honest with your staff that not everything needs to be, or will be implemented in phase one. Your production department may really want a certain feature in place, but let them know that it can't go ahead until you have your inventory management under control.

8   Panorama Consulting
9   Ziff Davis
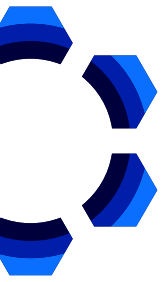
CONCLUSION

AND MY NUMBER ONE PIECE OF ADVICE TO AVOID AI: PLANNING AND PERSEVERANCE. Taking the time to plan and prepare from the start will give you a solid foundation for your project, and bring you plenty of success down the line. And having the perseverance and persistence to move forward even when you hit a bump in the road will ensure you keep on going. It took you a lot of hard work to get where you are going — if you stop before you reach the top of the hill you'll lose everything you have achieved so far. When you hit the inevitable tough spot, press hard, trust in the planning and preparation you did to get where you are, and don't stop because the benefits are just on the other side of the hill.

And manufacturers that successfully implement ERP systems reap the results, with more streamlined and efficient shops, and increased throughput. Some of the benefits you'll see if you get your ERP system up and running include:

ERP systems that provide accurate, real-time information about daily operations help companies **reduce operational costs by 23% and administration costs by 22%.**

ERP systems are able to **increase on-time deliveries by 24%** due to improved productivity, order tracking, and decision making.

Mid-sized companies who implement ERP systems are able to support change and **grow operating margins by 21%**.

ERP systems allow you to have an average **inventory accuracy rate of 97%**.[10]

Plan, prepare, and persevere to see great rewards with an ERP.

10 Aberdeen

GENIUS SOLUTIONS DELIVERS A COMPLETE ERP SOLUTION, INCLUDING SOFTWARE, IMPLEMENTATION SERVICES AND FIELD EXPERTISE FOR SMALL TO MID-SIZED CUSTOM MANUFACTURERS ACROSS THE US AND CANADA.

Genius ERP is built for SME manufacturers handling make-to-order, engineer-to-order, custom-to-order and assemble-to-order manufacturing. Accurate estimating, product engineering, inventory control, production planning, accounts management and complete oversight: one system that helps simplify complex manufacturing.