Agility ERP
Adaptive Business Solutions

5 Steps to Achieve Business Value from Your Next ERP Platform

An agile, business aligned approach for successful ERP deployments that are on-time, on-budget, and embraced by users.

Introduction

There is no doubt that a well-implemented ERP project improves operational efficiency and delivers long term value to an organization. Unfortunately, choosing the optimum implementation approach is not as certain. In reality, most implementations encounter project delays, cost overruns and limited acceptance by the employees who need to interact with the system on a daily basis.

According to Panorama Consulting's 2014 ERP Report, which studied several hundred ERP implementations around the world:

> *"Over the past four years of Panorama's independent ERP research, the average cost of ERP implementations has been $6.5 million and the average duration has been 16.1 months. In this period, approximately 54-percent of projects have exceeded their planned budgets, 72-percent of projects have exceeded their planned durations and a full 66-percent of respondent organizations have received less than 50-percent of the measurable benefits they anticipated from their ERP software initiatives."*

Perhaps this CIO perspective puts this common scenario into context:

> *"Our company has recently upgraded our ERP system. We spent over $1M, took over a year to implement, are spending $90k per year for support/upgrades, and it still doesn't do what we want. We are a simple manufacturing plant with multiple warehouses. This is the second time we've gone through the upgrade cycle. Every three-to-five years we have to start all over it seems. Our CEO has asked that we look for an ERP product that can be customized to meet our needs."*

Organizations heading down a similar path can avoid repeating these mistakes. This paper identifies common traps and practices that often lead to failed or suboptimal outcomes, and provides perspective and guidance to drive a successful ERP project.

Many projects are doomed from the start based on the approach driven by "big ERP" vendors, which attempt to force fit:

• a monolithic, single vendor solution
• biased by the vendor's homogenized "best practices"
• resulting in a delayed, "big bang" deployment

This standard formula has proven to be a best practice for maximizing services revenue for the vendor, while leaving customers with a system plagued by late delivery that is over budget and rejected across the organization.

History and experience shows that it is not realistic to expect an all-in-one ERP system to equally fit the business needs of each functional department in an enterprise. Compromises are made "for the greater good". History also has shown that a single event, corporate-wide switch to a new ERP, disrupts all functions and departments - including those not previously facing operational challenges. This disruption to the entire organization creates unnecessary stress to people, processes and systems - and presents tremendous business risk. Once implemented, the ERP system may require extensive transformation to keep pace with unforeseen business changes (for example, a move to outsourced manufacturing, adding third party logistics companies, mergers and acquisitions, or expansion to new sales channels/geographic regions).

Here are 5 tips to accelerate payback and value when replacing your ERP platform:

1 Be pragmatic — get to real business value fast

2 Focus on users and workflows, not features and benefits

3 Plan the full architecture but implement in phases

4 Embrace the flexibility offered by open and extendable platforms

5 Focus on life cycle costs

Get to Real Business Value Fast

When companies plan new systems and processes, it is tempting to innovate and implement change across the entire organization at the same time, as part of a comprehensive strategy. However, for each business process modified it is important to understand all interdependencies and the organizational impact required for a successful deployment. This is particularly true with the deployment of an enterprise-wide system like ERP.

Process redesign can make a lot of sense, especially when current approaches may be overly manual and non-scalable, or in cases where existing processes have been formed around the limitations of software deployed 5, 10 or more years earlier. However, each proposed process change requires substantial investment in discovery, planning, implementation and training. This is often complicated by the fact that existing processes are not always well documented, relying instead on "tribal knowledge" for day-to-day operations.

Take the agile approach—start with your most painful business process and deploy the solution, then integrate your other areas backed by the knowledge and experience gained by the initial success. With this approach, you can continue with existing operations and applications where they make sense and not innovate where it is not beneficial.

The latest generation Web applications and open systems provide a better alternative. For quicker ROI and less organizational disruption, you can take a more agile approach--with rapid deployment, progressive functionality roll-out and a continuous improvement process. You can continue with existing operations where they make sense, while innovating first where the gains are the greatest.

Agile deployment has roots in software development, where the goal is to achieve rapid value creation and more immediate feedback from initial users so that progressive layers of functionality can be added to the product based on real world user experience. The agile approach begins with a set of initial core requirements and intentionally ignores "non-essential" features in the first development cycle. The cycle continues with increasing speed and results in applications that better meet the needs of customers.

This agile approach provides similar benefits during ERP deployments, while better aligning with functional needs and overall business planning. Many of today's more progressive organizations view business agility as a key differentiator and driver for success. And this is also why the innovators at these companies find discomfort in an IS solution that is too slow and restricting.

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Focus on Users and Workflow

A mixed application environment for enterprise computing provides tremendous advantages in functionality, time and cost. However, it also brings its own set of challenges and must be planned with care.

It is tempting to select best-of-breed software components and glue these pieces together from an engineer's perspective. But the devil is in the details, and how these systems are integrated is a major consideration for usability and functional-user acceptance. Consider, for example, how complementary systems may have overlapping functionality – an ecommerce platform, a sales force automation system like Salesforce.com, and an ERP system all have representations of customers, contacts and communications. The implementation approach from a user perspective may not be the best approach from an engineer's perspective, and so the needs of both should be considered before committing to the plan.

Embrace user perspectives when planning drive adoption and acceptance.

Also, bear in mind that duplication of data in itself is not a bad thing, as long as there is a primary system of record for each type of information. Additionally, any necessary data synchronization should be transparent to the business users (and of course duplicate data entry should be avoided).

For these reasons, an effective approach when building an effective enterprise application environment is to embrace the user's perspective to drive adoption and acceptance. Here are some points to consider as you work through these integration points:

- Which systems are best for the functional users and will the new approaches increase or reduce complexity?
- Besides user level functions, who will manage the administrative and setup functions related to those activities (i.e. who manages users, configurations and so on) and how will they interact with the system?
- Who is responsible for content/information stored in that system?
- What user roles need to access the applications? Consider all affected employees, customers, partners and suppliers.
- If information is required from a dependent system, how is this obtained and updated? For example, will it be through database level access? Will there be data synchronization between systems? Will the user require access to multiple systems with single sign on capabilities across platforms?
- For each user role, with how many different systems and user interfaces do the specific users need to interact on a daily or frequent basis? Is this reasonable based on the knowledge, skill, responsibility and relative expense of the employee?
- Will some workflows be better serviced by mobile devices and smart phones, which are also fully integrated with the real-time enterprise application? Is a mobile strategy also necessary?

By evaluating this in "a day in the life of" perspective for each employee role, you will be able to come up with an optimum approach from a user perspective, and the system impact will become clearer. This is also an effective way to engage the functional teams earlier in the project cycle, when changes and compromises have the least impact to the overall project timeline.

Plan the Full Architecture, but Implement in Phases

Timing and transition planning are critical to successful deployment, and you should consider departmental cycles and needs. While accounting may prefer to upgrade at the beginning of a new fiscal period, this may not be the best time for sales, fulfillment and warehouse operations.

The ERP solution should ideally align to your unique business processes, not the other way around. Take a strategic, holistic approach to the solution, understand how it fits into the big picture, and systematically plan a deployment in incremental steps.

The best approach is to strike a balance between these two extremes. Innovate where there is the greatest pain; preserve current processes where there is little to gain.

You should innovate where there is the greatest gain and preserve current processes when appropriate. One of the more challenging aspects of deploying a new ERP solution is to strike a proper balance between preserving current business process and innovation enabled by the more advanced software.

Clearly, remaining aligned to current processes will reduce variables, minimize consulting time, and yield an end solution that most closely matches your current operations with minimal organizational change. However, by being too rigid, you may also miss a great opportunity to improve on some of the more painful and inefficient parts of your operation. If taken too far, remapping all your business processes to match a specific systems perspective of "best practices" will be unpredictable and disruptive to your business.

Embrace Open and Adaptive Platforms

Most legacy ERP vendors leverage a 'one size fits all' product and deployment strategy, which provides the vendor with re-usability and economies of scale. Consequently, these vendors will likely attempt to convince customers that their business is really no different from any other. And for some businesses this may be true - their requirements are generic, and the "standard" deployment will be sufficient. Also, keep in mind that these proprietary vendors are motivated for you to transform your business around their methodology and lock you in as a long term, captive customer.

With an open source solution, there is no need to get locked into proprietary software that doesn't adapt to your changing business needs. You can easily adapt and maintain the solution to the way you want your business to operate.

One of the biggest hidden costs with these proprietary systems is the long-term impact of single vendor supply and support. As the product matures, updates will become less and less frequent while the opportunity to customize becomes increasingly difficult and cost prohibitive. Year after year, you will continue to pay for "maintenance" while getting little value back in return. Eventually you will have no choice other than to upgrade to their newest version.

Open source platforms, on the other hand, allow incremental changes to the functionality of the ERP system as your needs evolve. These also allow you to decide whether to keep paying for maintenance or to stabilize on a specific version with the security of source code and multiple options for 3rd party support.

When you consider open source alternatives, look for commercial grade options that are built, packaged, tested, maintained and supported by a commercial business. Check to verify the usage license is favorable to the business and does not force contribution of any derivative work you consider proprietary or confidential to your business.

Whatever system you choose, also consider the process used to extend and maintain the software. Is the system architected to easily adapt to change? How do you add modules as your business evolves? If you need to customize your system's operation, can this be achieved through a model driven architecture and configuration screens? If you do need to modify code, can this be supported while maintaining compatibility with the core system and still retaining the ability to take future updates and upgrades?

Finally, interoperability is a potentially costly area where open platforms often deliver superior results. Systems that automatically provide native REST, XML and JSON web services out-of-the-box to support a true SOA approach can save significant time and expense versus those that rely on legacy techniques for exchanging information and invoking processes.

Focus on Life Cycle Costs

No discussion on increasing business value would be complete without taking a good look at life cycle costs. When comparing the life cycle costs for ERP solutions, be sure to consider both mandatory and optional costs. You need to take into account all products and functional modules required plus fees for assessment, solution architecture, implementation, integration, data migration, training and ongoing support.

The cost advantages of an open source solution are compelling within a 5-year planning window and even greater beyond the initial phase. Don't get locked into a recurring maintenance contract that you won't need.

For many enterprise applications, it is reasonable to consider a five-year project cost. But what if the useful life extends to 7-to-10 years or more? You will likely find compelling life cycle cost advantages for open source within a 5-year planning window, but the savings will be even greater as you go beyond this initial phase. The proprietary software continues to incur mandatory annual maintenance fees, showing little progress in the area of updates and support, while the product is slowly retired.

Maintenance expense is a major factor to consider when comparing Return on Investment (ROI) and Total Cost of Ownership (TCO). With many open source solutions, maintenance is a "value based" service. This means you are not locked into a recurring maintenance contract and may choose to renew annually based on the value you are receiving in return. With full access to source code, you can obtain future maintenance on an "as needed" basis from the open source 3rd party developers or even do it yourself.

If you plan to do much of the migration and ongoing support with internal teams, you should also try to model longer term impact of retraining or resource leveling. Or consider strategic outsourcing these activities where it makes sense. The most leverage and lower risk to the budget comes with an approach that embraces standards and open systems.

Summary

Properly deployed, ERP can align to existing business processes and fulfill its promise to improve enterprise efficiency, automation, and cost of operations. While organizations should expect to implement a comprehensive full-featured ERP solution that is tailored to their business processes, they can also develop an agile and iterative approach to application deployment that delivers real and sustainable value to the organization.

There is no reason to get locked into features that a company may not need or want. Instead of focusing on features and functionality, understand how the end users need to operate and how the ERP solution supports them. Organizations of all sizes should look beyond the monolithic, all-in-one solutions supported by legacy ERP vendors. Consider an open platform that enables modular expansion and easy customization - one that can grow and be molded to your changing business needs. And finally, you should evaluate the ROI based on total cost of ownership over the expected service life, not just the first five years. It is likely that those software maintenance fees in years 5-10 can be better spent in other areas.

About Agility ERP

Agility ERP provides consulting, deployment and operational services helping companies improve efficiency in sales and distribution, manufacturing, and B2B service industries. Agility ERP improves corporate operations by leveraging agile, iterative approaches to obtain real business value quickly. We specialize in flexible enterprise software including Openbravo ERP, Magento eCommerce, Sugar CRM, and Pentaho BI, among others. We integrate these systems with legacy environments to avoid the disruption and chaos typical of forklift type upgrades. Agility ERP has been recognized by CIO.com for our early leadership in open source ERP; has been an Openbravo Gold partner since 2008; and has been recognized as "Partner of the year" since 2010. Agility ERP is a business unit of Transitional Data Services.

About Transitional Data Services

Transitional Data Services (TDS) is a leader in professional services for the Virtual Data Center with offerings including cloud migrations, data center migration and consolidation, network and infrastructure design, and technical operations. TDS created proprietary software, TransitionManager, to empower our consultants and clients to inventory IT assets, visually display application dependencies, and create interactive run-books to execute transformation tasks collaboratively. Our clients realize minimized risk, improved project efficiency and increased speed of transformation, while facilitating more predictable, on-going technical operations. TDS's clients include Kayak.com, The University of Texas, Boston Red Sox, Cedars-Sinai Medical Center, and Liberty Mutual.

Footnotes

1. ERP Implementation Budget and Duration Overruns are Down, but Companies Still Spend More Than Expected
   http://panorama-consulting.com/2012-erp-report-erp-implementation-budget-and-duration-overruns-are-down-but-companies-still-spend-more-than-expected/
2. Increasing Business Performance with Agile ERP
   transitionaldata.com/document/increasing-business-performance-agile-erp
3. Is Open Source The Answer to ERP? by Galen Gruman
   cio.com/article/28812/Is_Open_Source_The_Answer_to_ERP_

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