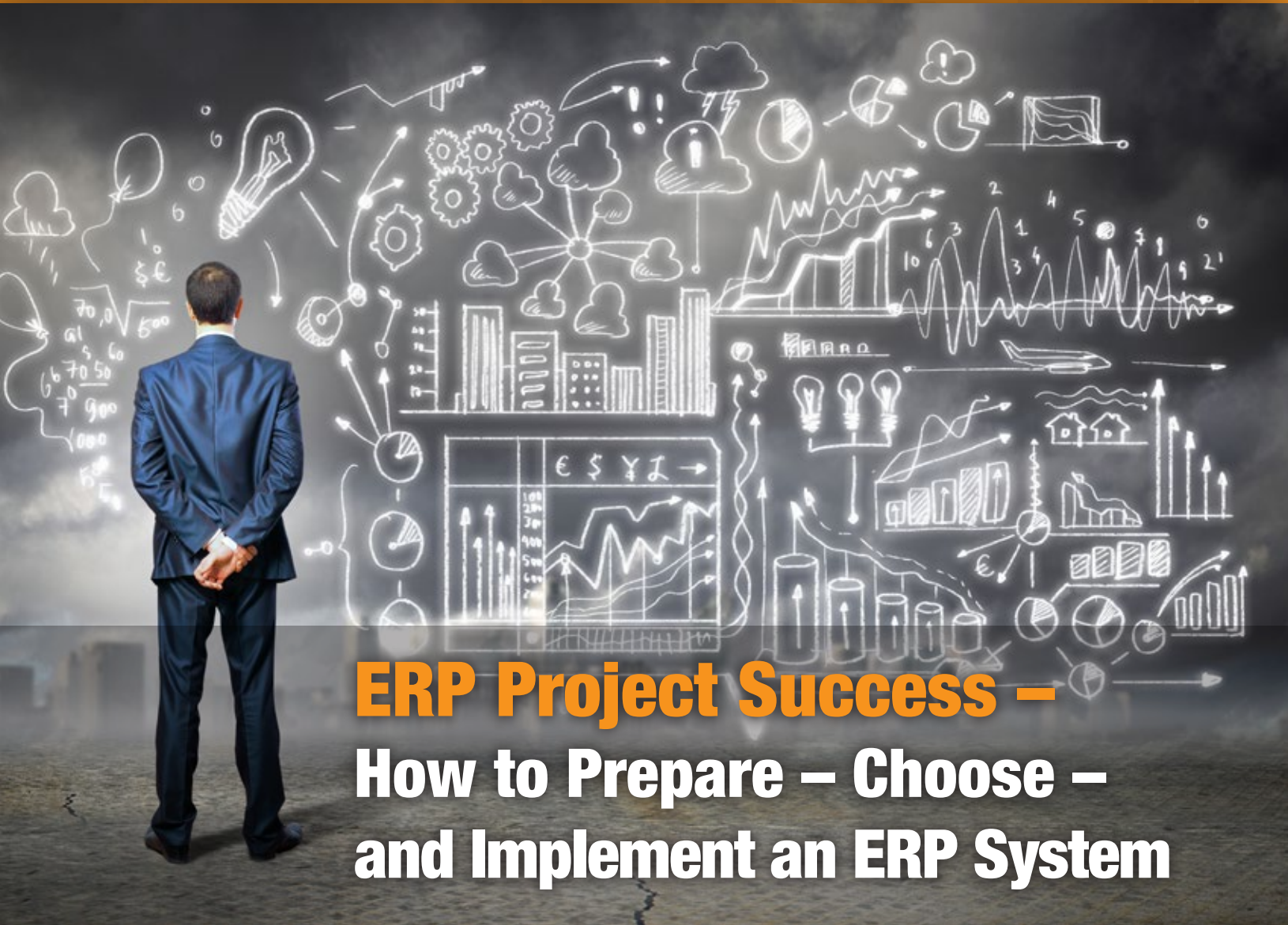


**PROJECT  
SUCCESS**



# **ERP Project Success – How to Prepare – Choose – and Implement an ERP System**



**Business Automation Specialists**  
of Minnesota, Inc.™

[www.bautomation.com](http://www.bautomation.com)



# ERP Project Success – How to Prepare – Choose – and Implement an ERP System

At the risk of stating the obvious, your business management software is critical to the success of your business. Without it, you will be flying blind. So, what happens when you need to make a change? How can you change out the system that monitors the status and health of your business without causing disruptions to your business? Well, the answers to those questions are quite complex, so we will be covering them in depth in our 3 part series. We will talk about choosing the right system, the right way to do it and how to approach an implementation.

When it comes to business management systems implementation, the odds are unfortunately against you. Statistics in The Chaos Report show that only 32% of company management teams rate their IT (computer) projects as a success. That means slightly more than two-thirds of business managers rate IT projects as challenged or failed.

With over 25 years of experience in this industry, we have the knowledge and information you need to ensure you do it right. We want to help you succeed with your business management systems. If you are considering changing your ERP system: STOP. Please take time to first do your homework – your homework is not about software – your homework is defining your business goals, objectives and requirements. The success of software selection process and, more importantly, your business depends upon it. Preplanning may be the most important step in your software selection.

First let's take a minute to define business management system. Your business management system is all the methods, tools and processes you and your employees use to get information relating to your business so that you can manage your company. In our experience, many companies say, "Oh, you mean my accounting (or my ERP – Enterprise Resource Planning) software?" While that is part of it, your



'system' also includes yellow pads, sticky notes, clipboards, spreadsheets and other manual processes and/or add-on systems. You have systems that may or may not include software. We want you to think about every system (and process) that you have in your company so that you can make sure that you are considering all the requirements you and your staff have prior to beginning your research process.

Many times, we find that while the accounting software records data on the current quantity of inventory items on hand, a company has one or more other systems that track operational data such as:

- Where is the product located?
- How is it stored?
- What has passed inspection?
- What lots are in stock?
- What lots were shipped to each customer?
- What products are combined into kits?
- What are the components in the kit?
- What is the cost of the kit?

The list could go on and on. We might say it this way: your 'business management system' includes corporate verbal legend (the part where you ask Jim or Mary about something because they have it recorded in their heads), yellow pads, bound notebooks hanging from a string, clipboards, rolodex, 3x5 cards, paper filing, etc.



# Know what you're Getting Into... Selecting a New Business System, is Like Building a New House

Imagine that you have been dreaming about a new home. You may have spent hours thinking, talking, and planning the logistics; such as where you want to build, what school district or city you want to build it in, what view you want the house to have, and how large a lot you want, but, so far, you haven't talked about what the home will look like. You may have to decide if the design of the home or the lot is more important. Let's assume the lot is more important. You really can't decide on the style of the home until you have the lot. You need to understand its elevation, where the view will be and what may block the view. You can make general assumptions about the number of rooms, the size and other generic designs, but until you settle on a lot, you can't finalize these decisions. Once you have settled on the lot, you can make all the specific decisions about design, dimensions, view, and size, and so on. All this and you still have no specific plans.

### **If you read nothing else:**

**Selecting your business management system is much like building a house. It takes significant time, energy, thought and resources. Even the best plan will have some changes. Planning will help make the process smoother and the result will more closely align with your goal. Failure to plan will result in failure of the project.**

So far, it is all conceptual – now it is time to go to the architect and begin to take the concept from talk to the drawing board. You haven't purchased materials. You may not have selected a contractor or placed a hold on the lot. At this point you are still in the design phase. As the architect sketches the concept, he will incorporate the outside influences like the local building codes, the weather, zoning ordinances, the covenants for the building style; not to mention your personal needs, wants,

desires, family conditions, likes, dislikes, etc.

Finally, you are ready to start building! But, hold on a minute! Now is the time to visit with several contractors, get references, visit other homes the contractor has built, get a quote for the building, arrange financing, determine if your dream fits your budget and make a decision. Now you are ready to build.

Wait another minute. You still have to get permits, sign contracts, make deposits and choose specific materials within the scope of your contract. Now you are finally ready to begin building. You may have spent three, six, nine months or more without turning over a shovel full of dirt. The reality of building a home is that the more time you spend before you start construction, the quicker the construction can progress and, quite often, at a lower cost because you won't be making changes on the fly. You have spent the time to determine up front what you can afford, what you want, how you want it to look, and, perhaps most importantly, who is going to build it. The reality of construction is that whoever builds your home largely determines how happy you will be with the finished project. That is why you check references and do site visits. You want to know if the experience was positive or negative for others who used this builder. Does the builder really care about the finished product? Is the builder easy to work with? Is he or she professional in business matters, prompt and reliable?

Even with all your planning, there will be changes. You will see things differently, or you may have a change in circumstances that causes a change in need. These things will most likely change the duration and cost of the project, but, because you have planned carefully, you will have fewer unforeseen events along the way. During the building process, there will be periods when there will be significant demands on your time. You will have to make some choices, discuss some issues, make some visits to the building site and so on.



However, it's all worth it because this is your dream home, and you plan to live in it for a long time. I purposely described this process of planning to build a home in a disjointed manner, because, many times, that is the way it occurs for the companies we come to work with. Until we help them, they really don't have a procedure in place that facilitates decisions for selecting a business system. With that in mind, we need to look at two critical areas that frequently get left to the end of the process, but should be considered at the beginning. Continuing to use a home as a metaphor for a new business system...

**1.** An important consideration in this discussion is the political and emotional dynamics of your family and it is equally important in discussing your business system. The home is for your family; therefore, they are the most important element in the process. Each person in your family has his or her own goals, objectives, likes, dislikes, wants, needs and desires. Each person will try to influence the project to get his or her own views considered. Some of these will be contradictory to others. You have to determine a method to resolve these conflicts and concerns in a way that each person feels that their voice was heard. You have to make sure the result is the best for all, even though everyone may not get exactly what he or she wanted. Your business system is no different. You will experience differences of opinions and emotion, but, your decision must be for the betterment of your entire business, not just certain departments.

**2.** The most critical issue in this whole process is determining how committed you are to building a new home. You will be spending a lot of time, energy, emotion and money on this project. You must determine whether the reward is worth the cost and effort. This is exactly what you must do with your business system. You must decide how important your problem or opportunity is to your business. You will be investing a great many of your precious business resources if you decide to solve the problem. If you are not seriously committed, you will stop short and waste those resources.

## If you read nothing else:

**There are no short cuts to success. There are companies that can provide resources to help you reduce the amount of time, effort and money it takes to do it right. Your commitment to the project and the objectives is the first (and arguably the most important) factor in the success of your project.**

Determining the cost of a business management software implementation and your commitment to the project isn't a new thought, in fact, you can even find this point expressed in major religions. "Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it?" This is a breaking point – right at the beginning of the project. So, start it right and end it right.

## Recognize that Your Business Perspective is Unique and Important

The procurement and implementation process for a new business management system is very similar to the home building process we described at length in the section above. If you have not read it, we'd like to encourage you to do so. Here are two rules to making a good choice and having a successful business management software implementation: 'Do your homework and Don't skip steps!' Knowing what you're getting into before making the decision to change business systems is crucial to the success of the project.

This is your business management system, not someone else's. Your business management style is unique; therefore, your business management system will be unique. Yes, the software will be the same, but the method of utilization and configuration will be personalized to meet your specific business requirements. We aren't talking about debits and credits. We are talking about

# INTRODUCTION

the actions that amplify and capitalize on your competitive advantage; those that make your business profitable; and that keep your customers coming back for more. Your business is not “just like the guy down the street.” (If you are, one or both of you will be out of business soon.) You must capitalize on your business strengths, exploit your competitive advantage and shore up those areas that are weak. Your business management software is a tool to help you do just that. A new business management system will either help you or hold you back.

Don't let the excitement regarding the project cause you to cut the planning and analysis phases short. We have seen our clients' double, triple and even quadruple sales volume without adding more administrative staff after we helped them implement a well-designed and executed business management system. On the other hand, those that rush into a new system without first doing their homework and laying the ground work often require numerous fixes after implementation should be complete because the new system does not line up properly with their business process. A significant key to productivity and profitability is leveraging your most expensive and flexible asset – your people – with your technology. Let your computer do what it does well so that your people can do what they do well.

One of our clients added a new customer who placed many small orders from several hundred locations. The new customer volume promised a good increase in sales, but entering the orders would have required at least one full-time employee. Adding the employee would have cost most of the profit from the additional sales. We helped our client devise a simple spreadsheet and a process to import it into the ERP application. The spreadsheet managed additional information that the customer required and let the customer's managers enter their orders into the spreadsheet and email the order to our client. The import process is working so well that our client is increasing productivity by using it with other similar customers. While transaction volume



has increased, they have not had to hire additional staff to do the work. In order to get the desired end result, (a business management system that runs like a well-oiled machine as it helps you achieve your business objectives.) you must first identify and document your business requirements. Take some time to interview key staff members and note the processes that are crucial to maintaining ongoing efficiencies. What things make your organization unique? Alternatively, ask your employees to communicate regarding parts of your process which are unnecessarily difficult. This will better prepare you for the business system research process, ensuring that you end up with the right platform and capabilities.

While you are documenting your requirements, make sure that your business objectives are quantified. Your objectives will help you stay on course as you decide between various requirements and approaches. Your objectives will provide a framework for determining the best fit for your company. Defined objectives will also help you manage the myriad of conflicting and divergent ideas you will examine during the next several months. Finally, defined objectives will give you a standard against which you can measure the success of your project.



### Preparing for an ERP System

At some point in your business life, you will become dissatisfied with your current hardware or software situation. You may have a business opportunity that you want to pursue, but can't without first making some changes. Perhaps you are dissatisfied with your productivity numbers. Or, one or more of your vendors may be making new demands on your business. Perhaps some customers are requiring new processes or new information, or maybe your business processes are interfering with your business objectives. Or it may be that your software is no longer supported, or you have simply outgrown it – thus forcing you to change. Whether it is in response to a business problem, issue, opportunity or challenge, it really doesn't matter. Ultimately, you need to make a change to your business management system – and we want to help you ensure that you do it right.

Your first challenge is to do your homework. If you haven't read the previous section, we'd highly suggest you do so now. Preplanning is the most important step of a new software implementation and the last few pages will help you lay the foundation for change.

Next, you'll want to develop a methodology that will enable you to navigate the maze you will be facing over the next several months. The good news: this is what we do here at Business Automation Specialists of Minnesota. We have helped hundreds of other companies just like yours, successfully implement new technology, streamline processes and improve efficiencies. Though this guide is specifically aimed at ERP accounting, CRM, EDI, Web stores, Business Intelligence, or IT projects, the principles can be used on any project you may take on; such as a plant expansion, process reengineering, new product development or a new market expansion. The concepts and processes are the same.

We don't recommend taking on a project like this without the help of a team like ours. Just as you could draw a house plan yourself and probably



could build a house by yourself; you may be able to implement a new business management system by yourself. However, unless you have done these technical tasks frequently, you will likely take much longer than an architect or a builder who does this professionally. Your return on investment may be delayed by many months, or perhaps years, while you untangle that maze of processes and functions to best accomplish your objectives. (We spent two years and many hundreds of hours and thousands of dollars learning Microsoft NAV in order to provide our clients an acceptable level of implementation knowledge, skills and processes.) Additionally, your result may be less satisfying and more expensive than if you use a professional.

Consider these questions as you decide whether you should take this on yourself: How much energy will I divert from my business to select and implement this business system? Will I be as satisfied with my results as I would be if I contract someone whose profession is ERP implementation? How much longer will it take if I do this myself? How many missteps will I make?

Selecting, installing and implementing a new automated business management system may be the toughest business challenge you face because it is not something that you do frequently and the results of the process are so critical to your business. Failure in this project can be catastrophic to your business health. If you would rather not go it alone, give us a call. We will be happy to help.

# PREPARING TO CHOOSE

## Internal Preparation

Your first focus as you embark on this project should be on internal preparation. Your new business management system will have its own set of benefits and challenges; so it is important that you first understand your objectives. Do not confuse methods and processes with objectives, goals and requirements. Determine what you want to accomplish. Do not make procedural decisions based on your current knowledge level. Your new software will have several ways to enable you to get each task done. You will not know the “how-to” yet, but you must know the “what-to-do” now.

**Many studies point out that more than 50% of IT projects fail or are challenged in some respect (The OASIG Study, 1995; The Chaos Report, Standish Group, 1994, 2001, 2003, 2010, 2012; The KPMG Canada Survey, 1997; The Conference Board Survey, 2001; The Robbins-Gioia Survey, 2001; to name a few). Part of the challenge is not knowing what defines success and then measuring how well the new system performs.**

Concentrate on, document and clearly communicate your goals, objectives and requirements. Think outside the constraints of your current software, hardware and business environment. Build the vision for your business system and for your business. Use this process to refine your business processes as your people refine their understanding of your business objectives. It is always a good idea to meet with staff members from all levels of your organization to ensure you have a broad, deep view of these requirements.

## Success Measurement

Once you have completed your due diligence in regards to internal preparation, you are now ready for success measurement. You may wonder why we start the process with something that can only

be determined at the end of the project. As the old saying goes, “If you don’t know where you are going, any road will take you there.”

Defining upfront how you will measure success at the conclusion of the project sets the foundation for achieving success with your implementation. Many studies point out that more than 50% of projects fail or are challenged in some respect (The OASIG Study, 1995; The Chaos Report, Standish Group, 1994, 2001, 2003, 2010, 2012; The KPMG Canada Survey, 1997; The Conference Board Survey, 2001; The Robbins-Gioia Survey, 2001; to name a few). A quick search on the Internet will bring up many more examples, some pointing to a failure or challenge rate as high as 68%.

Defining success is the first step to being successful. Some mistakenly believe that the first step is to tell their IT staff to call some vendors for software demos or perform product evaluations. This is not about software features and functions. It is not about the software your competitor or friend uses. This is about your business; where you are right now – versus where you want to be. It is about the challenges and constraints you face as well as your goals and resources. This is about your business, and, your business is unique. It has its own requirements. Defining your objectives and requirements may not be easy, but it is definitely worth it as you proceed with this process.

## If you read nothing else:

**Keep your business objectives and goals in mind at every stage of the process.**

This will not be the last time we discuss business objectives, but, since it is the first major discussion, the only reason for considering a business management system (or any other system) is to help you meet your business objectives. You derive the inherent value in any business management software from the results it enables your staff to produce, which will bring about the business results you are looking to achieve.



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A number of years ago we took on a client who sold frozen food and merchandise to groups who were looking for a way to raise funds. We helped them realize that frozen food and merchandise was not their product. Their product was the system that made the process easier for the teachers, coaches and volunteers who chaired the fund-raiser. Understanding their true value-add changed the focus of the project from managing inventory to improving the customer experience in order to retain competitive advantage. They now understood their objective and chose a business system that enabled them to meet their corporate objectives. They were able to continue to grow their business and reduce reliance on part-time staff as they saw a 50% improvement in productivity from the project.

There is only one measurement that matters in the final analysis: did the project enable you to meet your business objectives? Traditional Project Management measures the success of a project by Time, Budget and Features. (Was the project delivered on time? Was the project delivered within budget? Did the project deliver the features requested?) These measurements may be deceptive. You can achieve 100% success on these three measurements and still have a failed project because you did not meet your business objectives.

Let's go back to our house analogy for a moment. Let's say that you want your house on a body of water. Is that water a river, a stream, a lake, or a pond? You can't answer that question without knowing what you want to do. Do you want to look at the water? Do you want to fish? Do you want to water ski? Do you want a nice sandy beach where your young children can play? Are you and your family on the same page about the water? The objectives you define will affect your budget and options.

Base your budget, time and required features on your business objectives. If you do not fully define your business objectives, then the three traditional measurements of project success will not be of any value. Your attention to the hard questions at this stage will pay big dividends as you begin to move through the process.

### Get the Right Answers by Asking the Right Questions

Once you have decided that you have a problem to solve or an opportunity to pursue, the natural response is to look for answers. Our advice is to resist looking for answers until you have clearly defined your challenges, problems and opportunities. Use the following questions as a springboard to help define your business problems and opportunities. Focus on questions like these to develop the full picture.



- ☐ What are my business objectives? (Write them down and review them frequently as you go through this process.)
- ☐ What current challenges does my business face?
- ☐ How does \_\_\_\_\_ relate to my business objective? (Fill in the blank with an objective, problem, request or opportunity.)
- ☐ How will I keep my project from failing?
- ☐ What are the consequences of failure? What are the consequences and benefits of success? (Sometimes these two questions help clarify the objectives.)
- ☐ What accommodations will I have to make to allow my employees the time, energy, experience, willingness, commitment to take on a project?
- ☐ What elements must I consider to develop a solid business case for solving this problem or pursuing this opportunity?
- ☐ Who will head-up my project?
- ☐ Who is or will be the project's Executive Sponsor?
- ☐ Who will participate in the various stages (definition of objectives, goals, measurable, requirements, timeline, determination of decision-making team, determination of recommendation team, selection methodology, decide to use inside or outside people, budget determination of the project)?



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- ☐ How will I determine which conflicting objective or requirement will prevail?
- ☐ How will I involve all departments?
- ☐ What data entry methods will I use?
- ☐ What are my outside vendor and customer requirements (audits, labels, ordering methodology, etc.)?
- ☐ What will happen if I achieve this objective? Are there any foreseeable unintended consequences? (Sometimes, too much success is worse than too little success.)
- ☐ How will this solution, idea or process resolve the problem?
- ☐ What is the root cause of this problem? What else might be causing this problem, challenge or issue?
- ☐ What assurance do I have that we can handle the success if this works?
- ☐ What problems will I create by doing this?

In fact, at this stage, the only thing you should focus on is questions. Question everything – many of the processes and perceived needs in your organization are a result of your current business management software. In other words, many of your processes and what you do are because of your current business system – the software you want to replace. Don't try to replicate your current system in the new software. Get input from your staff, customers and vendors. Spend the time and energy to get your team to agree on what issues, problems, and challenges you are facing and what opportunities you can pursue.

### If you read nothing else:

**Many of the processes and perceived needs in your organization are a result of your current business management system. In other words, many of your processes and what you do are because of your current software – the software you want to replace. Don't try to replicate what you want to replace.**



## PREPARING TO CHOOSE

Many years ago we were helping a client replace an IBM System 36 computer software system. They had a number of issues in their project costing and purchasing processes that they determined were impairing their success. The person in charge of the project had six months to retirement and was training his replacement. We had a meeting and had consensus on the plan and process. Within two weeks we had a call that nothing was working like the System 36. We drove three hours to the client site and reviewed the issues. We again left with the consensus that the original plan was correct. Within a few weeks we were back in the same situation. It wasn't working like the System 36. The new business management system wasn't the problem; human interaction and resistance to change was. The moral of the story: You cannot achieve new results by continuing to use old thought and work processes.

### **Distinguish between Objectives and Processes**

Throughout a selection and implementation process, the line between business objectives and processes can blur. You must keep the distinction clear or your new system will begin to resemble your old one. This clarity is essential to making decisions that build a foundation for the success of your new business management system.

**Objectives** are the expected outcomes that you want from a business management system. These outcomes are reflective of business goals, not project goals. Business goals are the most important anchor in your search because your business management system is a tool, not an end. Your new business management system should enable you to better leverage your people's time, energy and talent to further the pursuit of your business objectives.

### **If you read nothing else:**

**Business objectives are the anchor in your search for a new business management system. The system is not the goal.**

**Processes** are the methods you have developed to use your business tools to accomplish your business objectives. This is a critical distinction. Confusing processes and objectives will frustrate your search and will likely result in a poor selection decision. Focusing on processes at this stage will result in complicated business methods when you begin implementation. Don't make procedural decisions based on your current knowledge level. Your new software will have several different ways to get most jobs done and have its own set of limitations. If you have chosen to hire a Value Added Reseller (or VAR) to help you with the implementation, they will be able to utilize their business experience to help you determine the best approach.

### **If you read nothing else:**

**The line between processes and objectives will blur. Keep the distinction clear or your new system will resemble your old system.**

How do you ensure that you and your team are making decisions based on objectives rather than processes? Concentrate on delivering value to your customers. Your business value flows from your customers. If your objectives match those of your chosen market, people will value and purchase your product. Recognizing the needs of your customers will help you identify your business objectives and what drives your business value.

### **Recognizing the Importance of Your Customers**

We all know that Customers purchase our products. After the Customer exchanges their money for our product, is that the end of the transaction? Of course not. Your customer buys from you because you provide a value that someone else does not. But value-add is a topic for another section, so, let's continue. However, you broaden your definition of customer, if you want to maximize the impact of your project. You must include not only those who buy from you, but also those who consume any work or product in your organization.

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Perhaps a better term to help understand customer is consumer. Your objective is to provide everything your consumer values and nothing else. If you are my target consumer and you don't value what I produce, I have just wasted effort and resources.

Think of a customer as a vendor, an employee, a department, or a customer who will use the output from a person or department in your company. In a manufacturing environment for example, the customer for a raw material handler is the department, work center or employee who needs the raw material for their daily work. Consider the cash receipts department; an area we might think has no customers. Who are the customers? Well, there are many – some internal and some external. Your buying customers want to make sure that their payments are applied to the right invoices in a timely manner. Your bank requires an accurate accounting of the amount and age of your receivables. Your Controller needs to know what the cash position is at any given time. The credit and collections department needs accurate information to

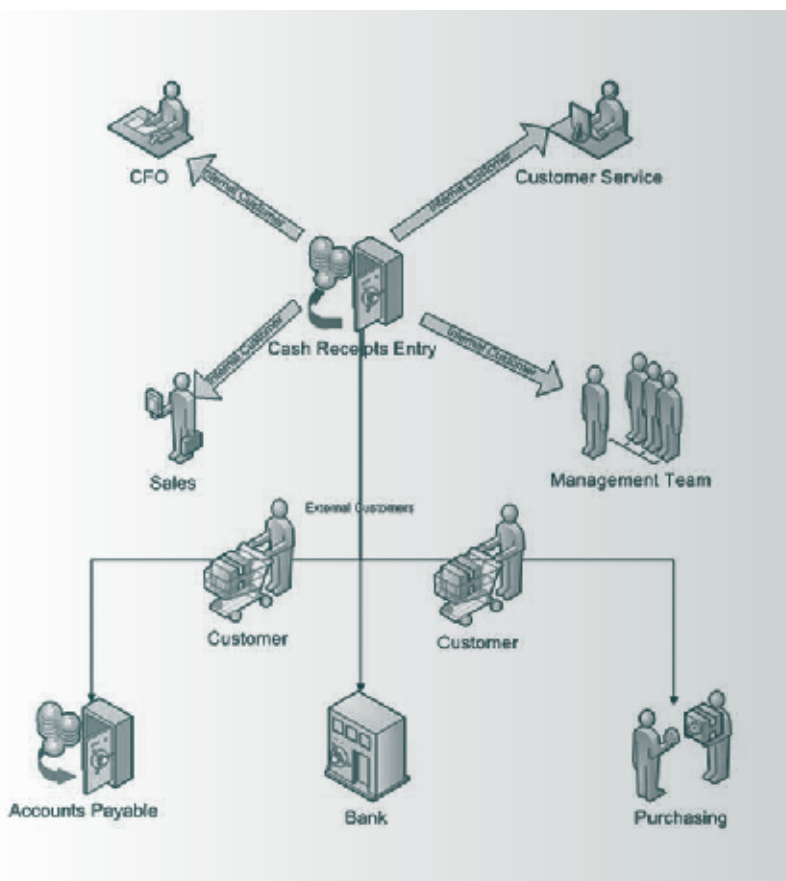
call the customers who are overdue. The sales team needs to know that their customers are current when calling for the sale of a new product. Get the idea? A customer is anyone who uses the information or product an employee provides.

### If you read nothing else:

**Expand your definition of customer beyond those who buy from you. Include any person, department, work center, etc. which needs some product or information to work. Make changes and decisions to increase the value to both internal and external customers.**

So, how do we determine a customer's value of our offer? Think about your house. What determines its value? The traditional definition of value is the price a willing buyer will pay a willing seller, neither one being under compulsion. Is that value? Do you value your house more than just the economic value it has? Most likely. You probably attach sentimental value to the house. You hope someday to have it paid off and enjoy the payment-free life. Perhaps you enjoy the view that inspires you or calms you whenever you take the time to enjoy it. Perhaps it is the smooth feel of the woodwork as you grasp the handrail, the symmetry of some architectural feature or the quality of the tile floor that gives you that sense of wonder or contentment. I recently refinished a handrail. Every time I use it when going up or down stairs I get a sense of satisfaction.

The railroads give us an example of mistaking process for value. The railroads certainly had everything in their favor. They received preferential treatment and governmental benefits. They became the market leader. The railroads had little





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competition, and they achieved great success. However, in the midst of their success, buses, trucks and airplanes came in and took away their competitive advantage. How did this happen? One answer to that question is the railroad executives focused on the process of railroads rather than the value of transportation.

Customers did not need trains. Customers needed transportation of goods or persons. Customers were looking for a cost-effective, efficient method to go from one location to another, or to move product or materials from place to place. Customers wanted this method to be convenient, effective, reliable and economical. Interestingly, railroads have recently begun advertising how effectively they can move 490 tons of freight with one gallon of fuel – and they have expressed it in a way that emphasizes how fuel efficient or “green” they are.

Whether we use air, truck or train, we are looking for results within a time frame; at a price that allows us to maintain profitability or the service level critical to our business. Train, truck or plane is the method or process; freight or people delivered, is the value or objective.

There are plenty of examples of misplaced objectives and value in the software industry. Many of you will not remember the name WordStar; some of you will remember WordPerfect, and I’m sure all of you know Word. The first two were industry leaders at one time but lost their edge, and a new product took over their lead. We could go on with Corvus, Arcnet, Novell, Lotus 123, MultiPlan, Victor, Commodore, KayPro and many others. Value is not what you say it is, but what others say it is. You cannot define your own value; you can only define the value of another.

Your new business management system will have its own set of benefits and challenges. Do not confuse methods and processes with objectives, goals and requirements. Determine what you want to accomplish and then measure everything against that.

### **If you read nothing else:**

**You can set your product’s price, but you do not control your product’s value. Only your customer can determine your product’s value. Value is what I am willing to pay for your product.**

Concentrate on, document, and clearly communicate your objectives in an open environment. Keep your team focused on enhancing value by reducing waste. Make sure you understand who your customers are at each stage in your business process. You pay your people to add value to your product. Providing value to each of your internal and external customers makes sure that your new business system gains all the value it can.

### **Identify the Reality of your True Business Process**

A new software implementation is the perfect time to find out how people really do things in your company. We can almost guarantee that you will be surprised. The way you think something is being done will almost certainly be different from the way it is actually performed. Many times this is due to a lack of training, but frequently it happens because of a lack of understanding of the reason for or value of the process. Sometimes the difference is due to the real-world difference between what is physically possible and what the instructions say. Lean proponents use the words Genchi-genbutsu – Go and See for yourself. Do not delegate this task. Many times, we find that management has one perception, but reality is markedly different. Verbal tradition rules in many companies. We find that two realities prevail, the one that management conceived or believes, and the way people really do things. This applies to procedures, sales processes, warehouse picking, manufacturing bills of material and routings - to every area in the company. For example, a number of years ago, while interviewing the management team of a durable office products retailer with a direct sales force, we began

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discussing commissions. The President of the company was a salesman. He began to describe the commission plan in great detail. He had developed his plan to motivate his sales people to sell at the highest margin possible because they earned a percentage of the gross margin. Gross margin was the cost of the product plus the freight to bring the product in the door. When he finished his description, knowing the constraints of their existing system, I turned to the office manager and asked if they really applied freight to the cost of each item. The sheepish answer, as you have already guessed, was “No.” In reality, they had no way to apply the freight cost to each item with their existing business management software.

The next step, after picking the President up off the floor (perhaps it was the ceiling), was to facilitate a discussion of how to resolve the difference between reality and perception. Was there another method to calculate cost? Was there a real value that offset the cost of capturing and applying freight cost? Should they change the commission calculation? Obviously, there is no “one size fits all” answer to these questions; however, the real key here is that without communication, the large difference between perception and reality cost the company a good deal of money in excess commissions.

### **If you read nothing else:**

**Go and SEE for yourself – the way you think something is being done may be different from the way it is actually being done. Lean proponents use the words Genchi-genbutsu – Go and See for yourself. Do not delegate this task.**

Just as your business may not work the way you think it does, much of what your staff views as a requirement is actually not. Your current business management system has placed constraints on you and your staff. Much of what you do today is because of your previous software selection. As you work through the process, allow yourself the freedom to evaluate the difference between your perception and your reality.



Many years ago, we had a client who was converting from an IBM mainframe to a PC based accounting system. This was the time when every company had a wide dot matrix printer that printed column after column of tiny characters across green bar paper. They had one report that was very complex and filled many of those big sheets of paper. The accounting manager was certain that they had to have that report to run their business. After analysis, we determined that we could provide the needed information in a more succinct fashion because we found that they used only a few of the many columns (Objective). Carrying this report forward would have been expensive and required keeping the old, noisy line printer and the reams of wide green-bar paper. We promised them that if they still needed that report after 90 days, we would write the old report. They never did ask us for that report. Questioning the value of the report saved the client many development dollars and on-going operating expenses.

The challenge is that if you haven't evaluated your business system requirements, you will focus on what you are used to doing and how you are used to doing it. This is the time to get perspective from an outside company that specializes in this process in order to ensure you get the most from selecting a new business management system. These

## PREPARING TO CHOOSE

companies can have many different names, the most common being Value Added Reseller or VAR for short. Selecting the right implementation partner to work with you is critical. You will be relying on this company and their personnel to help you make all the implementation decisions to meet your objectives and goals. Their input is more than software knowledge. If they cannot relate to your business and do not have the understanding of your business sector, find someone who does. The outside perspective can, and should, bring new life and insight into old ways of doing things.

Remember, back in the beginning, you set your objectives and goals. This is the time to review them and keep them fresh in your memory. Continue to separate process from objective. A business process is seldom synonymous with business objective. You may have some people who resist any change.

Sometimes this is because they do not understand the objective; they only understand the job they have been doing. Since they don't understand the objective, they have no measure to know what the outcome should be. Defining objectives can help these workers realize the areas that need change. The person doing the work may have the best method to reduce waste; however, without understanding the objective, the work becomes the objective.

These examples illustrate that not only can our process differ from the expected, but that we can want things that really aren't effective. Both are wasteful and add no value to our systems. So, as the hippie generation said, "Question Authority." Make sure that the "Authority" is based on objectives, not perceptions.



## HOW TO CHOOSE



# How to Choose an ERP System



### Selection Process

You have come this far; don't turn back to old habits now. You have just spent a considerable amount of time, energy and money in prep work. Now you are going to put that investment to work as you make your selection.

There are many common use methods people use when trying to select the right business management software. Some of them work well, others not so well.

### If you read nothing else:

**You have come this far; don't turn back to old habits now. You have just spent a considerable amount of time, energy and money in prep work. Now you are going to put that investment to work for you as you make your selection.**

These methods include feature lists; look and feel; referral from a friend, business associate or competitor; complex methods like Requests for Proposal (a more sophisticated features list); hiring a consultant to do a business analysis and manage the

implementation; gut call; and the list goes on. Just because these methods are commonly used doesn't make them "Right" or "Best". You are looking for uncommon results. So, let's discuss some of these techniques, and sort out between those that are beneficial, and those that are less likely to be successful for you.

### Request for Proposal (RFP)

Let's talk about RFPs (Request for Proposals). RFPs sound like a great, objective tool. Generally you hire an "independent" consultant. The consultant fills out a software spreadsheet with your answers to a series of questions and then submits the same list of several hundred questions to a number of software companies. By assigning a numerical value to each returned answer and hitting the F9 in Excel to recalculate the sums, you now have the information you need to make your best selection. Sounds great, doesn't it? Unfortunately, it isn't. The reality, after having responded to dozens, is that RFPs tend to be about features, not about business objectives, culture or processes.

It's sort of like analyzing the elements of the human body. You can isolate all the elements, name them, quantify them and have 100% of the physical

# HOW TO CHOOSE

identity, but you still miss the identity of the human. You have the elements, but not the personality, emotions and intellect.

Many companies like ours will not take the time to respond to an RFP. Many times the person who writes the RFP slants it in the direction of the software with which he or she is familiar. Sometimes the leading software vendor actually writes the RFP and uses specific language that describes the functionality of the software he sells. As a rule of thumb, if a company does fill out the RFP and a question is not crystal clear, the answer is always “Yes”, because they can always say that they interpreted the question differently because it was vague.

Purchasing new business software is not about processes, features and functions. It is about business objectives. RFPs are all about features. Answering a question with “Yes”, “No” or “Modification” does not provide you or the software vendor with the kind of information that will assure a successful implementation. In our opinion, RFPs focus your attention on the features rather than your objectives. As such, RFPs are a distraction and may prevent you from getting the solution you need.

## Site Visits

Another common request is a “site visit”. This is where you visit a company that has hired a particular VAR and installed that VAR’s software. A site visit has value, because it can help you understand the results a particular VAR will provide. Keep in mind however, that it is not about understanding the business software, how the company you’re visiting solved their problem or how they use the software. The site visit is to give you the intangible data, the comfortable feel that, “This software is used by real people to solve real problems, and therefore, it should work for me, too.”

## Demonstrations—When to do them and what to look for

You need to feel comfortable with the software you purchase, but you will not know all its warts or unexpected benefits until you are actually using it to run your business. Don’t allow a flashy demo to tempt you into making a premature decision.

What is one of the first major steps most people take when buying a car? You get in the car and take a test ride, right? This is great for the salesperson. His training tells him to get you in the car so that you fall in “love” with the car (an emotional response). It has that new car smell, the feel of new leather, the power when you hit the accelerator – oh, and it is really quiet. Of course, the salesperson cranked up the volume to demonstrate the great sound system. You’ll hear comments like, “Wouldn’t you love to have this beauty sitting in your driveway?” “Your neighbors are going to drool when they see this one.” Oh, and this one, “The mileage is really great, best in class.”

What does any of that have to do with getting the right car? Well, of course, there is value in the test drive. If the car doesn’t feel right, you don’t buy it. However, you might consider many other issues, such as comparing various brands and the model’s fuel economy, maintenance costs, resale price, reliability, towing capacity and more. Just because it looks great doesn’t mean it fits your needs. For example, you don’t buy a Prius if you plan to tow a 5,500-pound trailer.

Business management software demonstrations are like a test drive. It shouldn’t be the first step. Why take a test drive in something that doesn’t meet your needs? (Unless you have a lot of time on your

## If you read nothing else:

**Don’t allow a flashy demo to tempt you into making a premature decision. Keep the demo for the end of the process. Use it as a proof of concept to demonstrate the methodology to solve specific problems or capture specific opportunities. Use it to judge the ease of the solution and evaluate the look and feel. It will not answer every question, but will help you and your staff get a feel for the general ease of the software.**

## HOW TO CHOOSE

hands, or you enjoy making a salesperson jump through hoops.) The demonstration is about look and feel; ease of use; ease of integration to other systems (Word, Excel, etc.). Can you see yourself looking at this program every business day for the next five to ten years?

There is no way that you will be able to simulate all the circumstances that you will be facing in your business in the years to come. The data you provide the software vendor with will not be broad enough to cover all contingencies. You will not see the product operating in your environment, fully loaded with your users, hardware and software. The value of a demonstration is to answer these and similar questions: “How easily will our staff be able to accomplish their tasks?” “Does this software seem intuitive and easy to use?” “Will my training budget for new hires increase because of the complexity of this software?”

Let’s face it; the person doing the demonstration knows the software. She should make it look easy. She will show you lots of flash and sizzle, and, if she doesn’t, there is something wrong with her demonstration skills. She knows where the warts and potholes are (every product has some, no matter what the vendor says). She will not demonstrate those functions and features. Every software vendor has classes with names like, “Demo to Win”. There is an old saying in sales, “Sell them the sizzle.” Hamburger sizzles and smells just as good as steak when it is on the grill. The test is when you eat it.

There is no way to demonstrate every nuance of how the business software will handle all your issues. Actually, the only way to get 100% assurance of the answer is to implement the software and wait six to twelve months for the result. Not a practical method. The demonstration is a small part of the purchase decision. Frankly, by the time you sit through three or four demonstrations, it is likely that you will be confusing features and the look and feel of the products. Just keep it all in perspective.

Keep the demo for the end of the process. Use it as a proof of concept to demonstrate the methodology to solve specific problems or capture specific

opportunities. The demonstration should help you judge the ease of the solution and evaluate the look and feel. It won’t answer every question, but it will help you and your staff get a feel for the general ease of the software.

### Selecting the Right Business Partner

We are setting you up to follow a different process than you may have used in the past or than some VARs are used to using. Do not use the “call a bunch of vendors to do a dog and pony show and then throw a dart at the wall” method we described earlier. Use the information you have gathered in the process we have outlined to pick prospective vendors. Are they asking the questions you asked? Are they looking for the same level of detail? Do they seem to be looking to understand? Are they speaking your language? If they just want to show you their cool product, look somewhere else. Your new solution will have many moving parts, including software, implementation team (internal and external), business objectives, servers, operating system, network, databases, CPA, customer or vendor requirements, Web developers and may include hardware and

### If you read nothing else:

**We are setting you up to follow a different process than you may have used in the past or than some VARs are used to using. Do not use the “call a bunch of vendors to do a dog and pony show and then throw a dart at the wall” pick method.**

integrations to other programs.

Before we jump in, we would like to suggest that you change the definition of what you’re looking for. Rather than looking for ‘software’ we’d like to call it looking for a ‘solution’.

You have a series of problems, opportunities and objectives – no product will, by itself, solve these on its own. You need a ‘solution’, not a particular ‘software product’.



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### Bottom line note...

**Everyone involved needs to recognize that your business goals and objectives must drive your business system selection.**

The key to buying software, in our opinion, is something other than the tired methods used for years. We call our system the “Economic Business Impact Assessment”. This assessment is designed to uncover both the business objectives and the business drivers that are the key elements in causing your business to succeed; and then using this information to define your processes. It is critical that each partner (both management in your organization and any VAR you hire) understands these elements and the monetary benefit derived from reaching them. If the VAR doesn’t understand your business system drivers, it is unlikely that he will be able to help you meet them. We believe that our ability to uncover both the objectives and the drivers enables us to help our clients succeed in their business system implementations.

We met with one of our distribution clients recently to discuss an upgrade to their system. They were concerned about all the modifications that had been made over the course of their use of the software. They really wanted to use stock software. We discussed the issues of stock software. As we discussed the question, I came to the realization that they were in the business of saying, “Yes”. They were a custom delivery business, matching their services to the needs of their customers. Yes, they distributed products like their competitors, but rather than making everyone conform to a rigid system of processes, they were willing to adapt to the customer’s needs. Their modifications allowed them to continue to say “Yes” to each customer’s request and still make a profit. This was their value proposition, one of their key drivers.

Typically, there are many requirements but only a handful of drivers. Most software products today have some ability to meet most, if not all, the requirements. However, it is the VAR’s responsibility to implement the business management system so that the business drivers are satisfied.



Software products are rated by independent companies that take the developers feature list and determine a percentage fit based on a series of questions. I compare that to the bones or the skeleton of the product. The VAR’s solution uses the skeleton to build a real life business management system through proper implementation, procedures and training. We have gone into many companies that decided to switch software products because they thought the software didn’t work for them. In some cases, we replaced the software with one of our products; in other cases, we took the same business management system and did a successful re-implementation. What was the difference? Here are four common elements.

- A better understanding of the real need
- A business system solution (not software) provided by the implementation process
- The client has a better understanding of the need and their business objectives
- And the client is willing to change processes to gain the objective.

Sometimes a business purchases the wrong product; more frequently, however, the implementation process and partner are to blame.

We recently received a call from a company that wanted to talk to us because we sell Sage products.

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They were using Microsoft Dynamics NAV and were confident that it couldn't do what they wanted to do. We discussed their requirements and frustrations and after some analysis said that we could sell them a Sage product. However, in our opinion, it would be cheaper and better to stay with NAV because NAV had the features that they needed and they knew how to use it. We upgraded them to the most recent version, fixed the programming errors their previous VAR left, gave them training in proper procedures and they were very happy with the results. Now, they are considering adding Warehouse Management to the same software they were ready to ditch.

I say all that to say this: the right product is important, but the VAR is a critical component to achieving success. If you are working with the right VAR, he will walk away if the product he sells isn't right. I have done it. It isn't easy, but a failed implementation is a horrible experience. (Of course, there are VARs who focus on selling software, not on implementing solutions, so this statement is not true of all VARs.)

### **If you read nothing else:**

**There is a better process that can streamline the implementation, compress the timeline and increase your likelihood of success. Selecting the right VAR (Value Added Reseller) makes the process much better.**

Your VAR must recognize your business objectives and drivers, or your business management system will fail. Generally, the VAR you feel can do that will represent the right software solution for your company. How can I say that? Well, if you are comfortable with the VAR, it is generally because they spoke your language. You didn't have to define, explain and facilitate understanding of the general principles you use in your business. Of course, you still had to share a great deal of your company's information, but they "got it" when you told them. If the software they sell does not fit, they



should tell you so. We have "saved" implementations where the customer had gone through three or four other VARs and still was not happy with the results. To reiterate, the VAR is an important part of the solution.

Does it seem unlikely that a company will turn down your business if you want to buy from them? As I said, I have. Failed implementations are both financially and personally draining; two results that rational people don't want. With an IT project, product delivery is not the same as delivering a car. Much of the "product" is a result of the training and implementation provided by the VAR. There is typically great personal investment in product delivery. A failed implementation can be viewed as a personal failure. Failed implementations frequently result in significant loss of billable hours or uncollected invoices. In addition, the reputation of the VAR can be damaged; causing long-term loss of business. It is better for me to decline a project that I believe has limited, or no chance of success, because of a poor software fit or lack of direct or indirect experience in a field. Or, if the prospect is unwilling to provide needed data or insists on doing things in a way that doesn't mesh with our proven business methods.

If you followed our process to this point, you have a great tool with which to measure each VAR. You know what you want and you know why you want it (remember, these are business objectives, not product features). If the VAR doesn't employ the same questioning process you have used, then it is likely that the VAR is expecting his software product

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to be the solution to your problems without understanding your objectives. Your chance of success with this VAR is low.

If you haven't taken the time to follow our process of business objective discovery, then look for the VAR to do it. The VAR may do some of the discovery as a part of the sales process, but will most likely charge for a full discovery engagement. (We will discuss this more later). If the VAR does only limited or no discovery work, then your chances for success are limited. Find another VAR who will.

## **Bottom line notes...**

### **1. Don't dictate how the VAR conducts business; rather watch to see if he does it the way you require.**

Mahan Khalsa, author of Business Think, says that how we sell, is a free demonstration of how we implement. There are several lessons to draw from this. One, don't tell the VAR how to conduct his business with you. Let him show and tell you how he does business. You will learn more about the VAR's implementation methods this way. In other words, let the VAR do his discovery or not; let the VAR guide the "demo" – don't write your own script. You will find valuable decision-making material about the VAR in this process.

### **2. Can the VAR communicate clearly with you?**

Two, listen to the VAR's language. Are the people on his team speaking "Business" or "Computerese"? Remember, this is about solving your business problems and meeting your business objectives, not about computers and software. Of course, there will be technical discussions, but these technical discussions should not be the bulk of the talk. These discussions will be more detailed with your IT staff, but they should be at the lowest common denominator for the audiences; so that the discussion creates understanding, not confusion.

### **3. You and your VAR should be on the same page, naturally.**

Finally, evaluate the conclusions the VAR draws; as well as his ability to relate them to you and your business. Are the conclusions natural extensions of

## **If you read nothing else:**

### **Evaluate the VAR:**

- 1. Do they speak the same business language as you do?**
- 2. Does he ask questions that make you evaluate your process in conjunction with your objectives?**
- 3. Are you gaining more clarity as the VAR helps you move toward a solution?**

**Your VAR must recognize your business objectives and drivers, or your project will fail.**

those you have come to on your own? Do the methods and tools used during the selling process lead to greater clarity as you work through the process? Do the members of the VAR team relate well to your team? The VAR should be evaluating you while you are evaluating him. His conclusions will affect the price and the likelihood of success. Does the VAR express both the areas of risk as well as the project results? If you don't hear anything about risk, the VAR is either ignoring it or wants you to believe there is none. We are all risk-averse to some degree but every project has risk. Don't be fooled into thinking there is none. Why else do 68% of IT projects fail? You can't fail if there is no risk.

Why is the VAR important? The VAR will have implemented many business management systems over the course of many years. This experience will enable valuable time savings, enabling you to experience payback on your investment sooner than if you do it yourself.

Installing and configuring modern business management software is, in some respects, much easier than it used to be: insert DVD, Click Install, enter a location on your network, wait a few minutes and you're done – right? Well, certainly that part of



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the installation is easy. There are, however, many technical challenges as you integrate with the various business systems on your network (Windows Server, Active Directory, Microsoft SQL, Internet Information Services, Exchange, Office, Credit Card Authorization, EDI, Web store, Excel, other applications and more). The technical part does get complicated; however, the challenge is configuring the software based on your business needs.

Technical challenges can be expensive and costly; the business challenges of a poorly configured business management system can be deadly to your business. Consider the list in the figure below of ranked software selection criteria from a Deloitte and Touche survey of 1,500 companies. (1 being most important and 10 being the least).

Oh, one important point – the 1,500 companies who took this survey ALL failed in their software implementation.

In our opinion, and in the results of studies done of successful implementations, the right outside implementation team is critical. Your software vendor may sell directly or through resellers (VARs). The software developer typically certifies VARs and their employees. Generally, the implementation team members are employees of the VAR. Sometimes the VAR may use contractors, so be sure to ask your VAR who the members of the

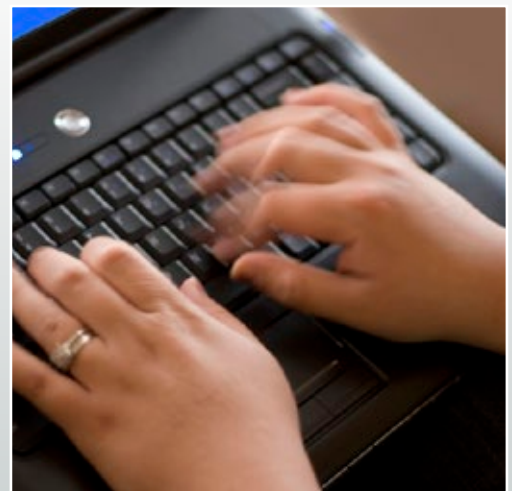
implementation team are. (You may want to ask the VAR if you can meet the implementation team.) Neither is necessarily better, however, the VAR will have better control and communication with employees. The VAR has definitely made a bigger investment with the employee than with the contractor. Investment is indicative of commitment and sustainability.

When a VAR selects a product to sell and support, they have already made a significant investment in research. We spent more than a year visiting with vendors and customers before we chose Microsoft Dynamics NAV as the replacement for our previous flagship product. We were looking for a tool set that would work for our clientele and match our skill set. Then we made a significant investment in training. Had we found that our new product would not work, we would have resumed the search process (we did that with another product in 2001). Once we completed our training, we invested even more in marketing, sales and company development. Our investment and commitment of resources means we will not quickly or easily consider dropping support for the product we sell you.

Some VARs and developers use contractors for implementation, training, consulting and support. Using contractors means less commitment of resources by the VAR as the contractor pays for the

### Top 10 Criteria for Selecting Software

RANK	CRITERIA
1	<b>Price of the Software</b>
2	<b>Ease of Implementation</b>
3	<b>Ease of Use</b>
4	<b>Software's Ability to Fit the Business</b>
5	<b>Functionality of Software</b>
6	<b>Software works with Existing Hardware</b>
7	<b>Growth Potential of the Software</b>
8	<b>Level of Support from the Solution Provider</b>
9	<b>Quality of Documentation</b>
10	<b>Vendor's Track Record of Performance</b>



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certification process, reducing the VAR's investment and commitment. In addition, the contractor is not paid unless they are working and is responsible for taxes, insurance and other benefits. The VAR has less access to the consultant and limited control of the processes the contractor uses. This can result in an inconsistent result for the both the VAR and the client. We do use contractors for overflow or for some specialized requirements; however, our choice is to invest in our employees for our main products. We gain more control and professional synergy because of the close connection to our company.

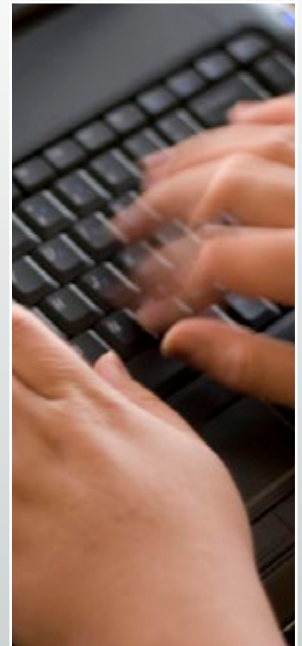
Critical data points include quantifiable items, such as the number of business management systems installed, years in business, references, types of

support provided, etc. Other data points are less quantifiable, but equally – if not more – important. Do you feel comfortable with the implementation team? Do they seem knowledgeable? Can they communicate, teach or train in a way that will work with your company culture and style? Are they process oriented or do they “fly by the seat of their pants”? The non-quantifiable is typically more important than the quantifiable because more of the system functionality will be caught than taught.

Let's go back to the Deloitte and Touche findings for a moment. Although all these companies failed at their first implementation, they succeeded in their second. When asked to re-rank the criteria it came out as follows:

### Top 10 Criteria for Selecting Software

FIRST TIME RANK	SECOND TIME RANK	CRITERIA
8	1	Level of Support from the Solution Provider
10	2	Vendor's Track Record of Performance
4	3	Software's Ability to Fit the Business
7	4	Growth Potential of the Software
1	5	Price of the Software
9	6	Quality of Documentation
5	7	Functionality of Software
3	8	Ease of Use
2	9	Ease of Implementation
6	10	Software works with Existing Hardware



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## Bottom line notes...

### 1. Feeling comfortable with the VAR and their level of expertise is crucial.

Items 1 & 2 relate to the VAR and the abilities and experiences of the VAR's team. If you feel comfortable with the VAR, go with his recommendation. If you aren't comfortable with the VAR – PASS. Okay, maybe that is a little too simplistic, but don't waste your time if you don't think the VAR can do the job. Your task at this stage is to evaluate how well the software and VAR fits your business. Your VAR should be able to effectively demonstrate how the software meets your top business objectives and tell you what area will require some work. No software product is perfect; some will fit better than others.

### 2. Know exactly who is doing your implementation.

Whether you buy direct or through a VAR, find out who will do the implementation. You may want to meet them during the demonstration. If you are working with a VAR, one of the implementation teams may do the demonstration.

If you buy direct, find out whether the developer uses employees or contractors to do the implementation. With whom will you contract to do the implementation? Is the software vendor responsible if the implementation goes poorly? Software implementations are challenging. Having access to the salesperson during implementation can clarify misunderstandings. Is there a clear hand-off from sales to the implementation team? Are they all in the same room and does the implementation team have full access to the discussions that took place during the sales process? If a contractor does the implementation, find out how many implementations the contractor has done of this software product and how many of these systems they support. (Experience from supporting software helps shape best practices during implementation.) Did the references you talked to use this implementation contractor? Is the VAR or the contractor responsible for the implementation if something goes wrong? VARs tend to be local or regional, although there are some who are national or international in scope. VARs tend to have a greater interest in your success as you



represent one customer in a smaller number of customers. Direct salespeople and implementation teams will be moving on to new prospects and implementations, perhaps in other parts of the country, whereas the VAR has a stake in the territory; as it is their home territory.

### Presales Paid Engagements

During the pre-implementation and research phase, some companies often find that Value Added Resellers (or, VARs) will propose a paid engagement to help define the project. Different VARs will offer different kinds of engagements and have his or her own terminology. This may be a Time and Expense or a Fixed Price engagement. The VAR will have conducted a discovery process with you and your staff to enumerate your business objectives, business drivers and the impact on the company if a new business system is or is not implemented. Depending on the engagement, it may include a preliminary plan of what features and processes will be used and what modifications may be necessary. Some VARs will be able to give you a fixed price for the implementation based on this analysis.

Paid engagements are helpful and necessary when you are ready to see the level of expertise a particular VAR has in order to make a final decision. Frankly, the more time you invest with your VAR before the final agreement, the better your odds of success. Both of you will be well aware of the objectives, challenges and obstacles that stand in the way of a successful implementation and a paid engagement can enhance the desired outcome.

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This engagement may be an **Economic Impact Workshop**. This might outline the major goals, objectives and the financial or process impact on the business. An Economic Impact Workshop gathers the input of the key players in a group setting to provide you with a vision of what your business will look like after you solve your current problems. For example, if each sales rep could handle 20% more orders because of the increased efficiency, how would this impact your company in other areas?

## If you read nothing else:

**You can reduce your risk significantly by engaging a VAR in a Presales Paid Engagement. This process will increase your chances for success by identifying and helping you avoid potential pitfalls and define the requirements for success in terms that can be measured.**

A more comprehensive engagement might be a **System Diagnostic**. This provides more detail than the Economic Impact Workshop by expanding the group dialogue to departmental discussions; thus obtaining more specific details at a department level.

This is like the Owner's Manual for your car. It is a lot smaller and easier to read than a System Specification (see the next paragraph) because it has a different purpose. A System Diagnostic will tell you "what" needs to be done, but not "how" it will be done. A System Diagnostic provides the outline of your business solution without the technical details. It is less expensive, but it can still provide a fairly comprehensive discussion of what is covered in the project. Since it takes less time to write, there is the potential for more surprises, but certainly fewer than if you don't take this step.

A **System Specification** tends to be a more technical document that details the work to be done by the VAR. This document provides you with a detailed description of exactly how the new system will work and what modifications will be required to accomplish the system goals. Think of the System Specification



as the Technical Reference Manual for your car – very technical, very large and costly. It not only outlines what must be done, but how it will be done (in general terms). The cost may be worth it if you have a very complex business requirement or are very risk averse. (Compare this to the cost of the architectural plan for your dream home. It provides detailed instructions for the layout of your new home, but not where each nail or screw will go.) This document will provide you with the level of detail required to support your quest for success. Even with this detailed preparation, you will still have some surprises that will change the scope during your implementation, but they will be far fewer than if you have no preparation.

## Selecting the Right Product

You are choosing the right tool set to run your business. You must choose the tool set that will let you get your jobs done. What do you think about when I say the word, hammer? Is it the right tool to pound a 4" wooden fence post into the ground? Probably not. There are hammers for finishing wood, heavy construction, metal, leather, tires and other uses. Selecting a 16-pound sledgehammer to pound in a finishing nail is a bad choice. Not only will you be unable to drive the nail, you will likely damage the wood.

Words are inaccurate. Make sure, that as you discuss your needs, your word pictures are accurate and as detailed as possible. You have jobs that you need to do; if your software is unable to do them, you will be doing many things manually that you should be doing with your business system.



## HOW TO CHOOSE

Price and features are an important piece of information, but even more important is the ability to see the payback from the system. Let's say that one business management system has a price tag of \$150,000 and another is \$250,000. (The numbers are relative; it could be \$1,500,000 and \$2,500,000.) Both prices include implementation.

Not much to go on to make a decision, is it? Most of us would go with the \$150,000 solution. Now, imagine that the salesperson for the \$250,000 solution shows you a way that you can decrease your inventory by 30% which will increase your bottom line profit by 50% and how the system will increase your ability to handle 50% more sales volume without increasing administrative staff. Which system is the better deal now? Price is not the real cost of the business management system. The real cost may be lost business, increased personnel cost, lost warehouse space or low profit margins. That is where the business acumen and experience of the VAR come into play.

### If you read nothing else:

**Quoted prices do not measure the value of your new business system. Payback, fit, function, flexibility, ease of use and the level of understanding your VAR has for your business are the real value producers on your business system.**

People love to say, "A debit is a debit no matter what accounting system you buy." That is true. However, ERP or accounting software is so much more than debits and credits. ERP can and should be the tool that allows you to leverage your people to obtain the results you want to achieve. That is the real value in the business management system.

### **So, what specifically do I need to look for in my product selection? Here are several things that we view as important:**

Can you put the software in stock, out of the box and run your business? If you can't, does the software offer the ability to personalize, customize, interface to



or modify the stock product? These are our definitions for these words:

- **Personalize** – each user can make changes to simplify or reduce clutter on the screen, adds or edit existing reports – almost all companies can use this functionality as this provides a simpler, work tuned environment by getting rid of unused menu items.
- **Customize** – these are more complex changes that an end-user typically will not be able to do. These changes may include adding additional functionality to screens, creating custom views or reports, interfacing with outside systems.
- **Interface to** – the ability to export and import data for daily work product coming from another system (EDI, Web store, data collection, etc.).
- **Modify** – complex changes that change the business logic of the stock program. These are changes made by a programmer who is familiar with your software.

As much as we try to put stock software into every client, we can't do so. Every client has some unique functions that define the business and give them an advantage in the marketplace. While reviewing our client base before adding Microsoft Dynamics NAV to our product line, we found that 53% of our current installations required some change. Many of them only needed tweaks to reports; others needed some level of changes beyond the end-user ability, and a few needed major work to accommodate fulfilling their business promises.

# HOW TO CHOOSE

## **Is there a community of developers who specialize in the software you are considering?**

There is one other level of significant functionality you need to find out about – that of the Independent Software Vendor (ISV) or third party software. The ISV is a company not related to the software developer or the VAR. The ISV is a company that has developed a special feature set to meet a specific set of needs that the software either doesn't handle or may not handle as well as someone wants it to. Sometimes this feature set is a whole module to handle an industry specific requirement.

Many companies need the power provided by an ISV solution. Think of this like the customized travel van. A company takes a stock Ford, Chevy or Dodge van and converts it to a fully outfitted van with TV, fridge, plush custom seats, perhaps a bed or table or other amenities. The ISV provides the custom solution without the custom price.

Some people feel that a third party solution means that the software is deficient. In reality, the ISV is providing specific industry expertise that is difficult or impossible to obtain in a general software developer. ISV solutions may exist for requirement such as freight or parcel shipment integration, warehouse management or shop floor data collection systems, custom business intelligence and forecasting tools, as well as many other areas of specific industry knowledge.

Some software companies "OEM" the ISV solution by relabeling it with their own name. It is important to know this as you are buying the expertise of the ISV, in addition to the expertise of the software developer and the VAR. Find out how many installations the ISV has done of this add-on; what is their upgrade policy; who provides support – ask all the same questions you have for the main software developer. Does the software developer certify the ISV solution? Make sure that you have a firm understanding of this relationship.

## **How well does the software handle my requirements (insert your definition here)?**

Try to ignore the unfamiliar process and screens. Does the software cover all the elements required to

resolve your business issues to help you reach your business objectives? Does it take 14 steps to do something that you do every day? Does it take three steps to do something that currently takes you 15 steps? This is the time to challenge the software. Your VAR should have designed a demonstration that illustrates resolving your biggest issues. Don't plan to understand the hows, but can you see a straight path that will get you to your objectives? This is not about functionality, but it's about fit. Functionality will take you into the forest and lose you in the trees. Fit is getting a fix on the size of the forest while staying alert to where you are in the process.

## **Will the software grow with you as your business grows?**

Ask about size limitations or constraints. Are these constraints in line with your business plan? How far will the software take you? Should you view this as an interim step until you grow past that next plateau?

## **Final Decision**

The final step, when all is said and done, is to make a decision. You may be a member of the team or you may make the decision on your own. Sales psychologists tell us that we actually go a little crazy at this point in the decision-making process, so don't be surprised if you act that way. If you have built your business case and the value is there, don't let "No Decision" be your decision. We see this happen frequently. You will be harming your company by delaying the decision. It may not be easy, but decide, "Is there value?" "Which VAR seems to understand my needs the best?" "Which solution seems to best capture the value at a price I can afford?" "Which proposal mitigates the risk involved?"



# HOW TO CHOOSE

With these answers in hand, decide “Yes” or “No”. “No” is an acceptable decision. “No” does not mean that you have wasted your time. It may not be the right time; the payback may be questionable; you may not have the staff availability. Making the decision, even if it is “No”, brings closure to the process. If you decide “No”, you will free up your energy to focus on other projects or tasks. If you decide “Yes”, you will be starting on an important step in the development of your company. “No Decision” just drains away the energy and leaves everyone feeling frustrated.

## If you read nothing else:

**Both Yes and No are acceptable decisions. No decision is not. Postponing or delaying a decision saps your team's energy and interest. Some will feel that their efforts are not valued. A timely “Yes” decision frees up the energy for project. A timely “No” decision frees up energy for other projects or normal business tasks. Just decide. It will be worth it.**

## Pricing and Contracts - Finalizing your Selection

Let's assume that you have found the right business management software and the right VAR. What now? You have probably had a proposal from the VAR for the software and an estimated implementation cost. Many times this is only a proposal and needs to be modified to fit the final solution that you have jointly determined is right for your company. Make sure your agreement includes the business system and implementation costs as well as the vendor's software maintenance. Some of the elements of the implementation may include: functional analysis; technical and/or functional specifications; third party software included in the system; report development; dashboard or other reporting services; network configuration; database installation and support; pilot projects; end-user training; key user training; troubleshooting processes; process documentation; end-user documentation; help desk support following your go-live and more.

Make a checklist of what items are explicitly included. If it is not on your checklist, it is highly unlikely that it is included in the price.

## Project Management

Does the price include Project Management? Implementing your new business management system may be simple or very complex. Either way, you or the VAR must provide a Project Manager. Unless you have someone on staff that has been responsible for the successful implementation of more than three ERP systems within the past four years, have the VAR's Project Manager do it. His or her experience will more than pay for the cost. You will lose less sleep and have an on-time, on-budget, on-target implementation. You will still have an internal Project Lead who will work with the VAR's Project Manager.

## Fixed Price vs. Estimates

Some additional points to question: Is the implementation an estimate or a fixed price? What are the consequences of users not showing up for training? What is the policy if you cancel an on-site or remote training session? What is the support plan after you go-live with the new software?

If you don't have a fixed price at this point, try to get one. You and your VAR may need to have more detailed discussions to finalize the precise details of what is required and how much implementation support is required. The more precise this document, the less likely you will be surprised by unexpected costs as your implementation approaches. As we discussed earlier in our house building story, there will be change orders, but how many of us would build a house on a time and materials basis? We all want to have a level of confidence that we know what we are buying and how much of our hard-earned money it will require.

Change (and the accompanying change order) is inevitable, but your planning will minimize the frequency and extent of these. Add a buffer of 10 to 15% of your budget to cover the unexpected. Remember that this is not about covering scope change, but about unexpected discoveries. Scope changes may easily double or triple the project cost.

## HOW TO IMPLEMENT



### How to Implement an ERP System

Now that you have determined that you have a problem or opportunity you would like to resolve and you have chosen the solution that best fits your needs, you are ready to begin implementation of your new system. This is the time when you are most excited and happy with your decision. Everything looks rosy. If your VAR is like us, she will have told you that implementations are a lot of work and there will be times when you wonder why you began this seemingly impossible task. You may even hate the software and the VAR at various times during the process. (Typically when you are doing double or triple duty because someone critical to the project had a family emergency and you are at the end of a 16 hour day.)

Your project will have several stages. Make sure you understand the purpose of each stage before beginning so that you maximize your results at each stage. You may actually cycle back through these phases if your project is very complex or if you discover issues that make you rethink your direction.

#### **Project Organization**

You can categorize your next steps into one of several phases: Preparation, Configuration, Testing & Training, Go-Live, Follow-up and Support. Each phase has its own unique challenges and opportunities. Don't get impatient and charge ahead to the next phase until you are ready.

#### **Preparation**

If we go back to our house building story, this is the seemingly long period between deciding to do something and actually seeing some building happen. By this time, you have covered a great deal of this phase. However, you must now consider the internal preparations of your hardware, network, printed forms and other foundational items.

#### **Coordinate Relationships**

I hope that you introduced your hardware/network vendor to your software VAR long before now, but if you have not, do so now. They have a lot to talk about, and it will affect your pocketbook. Your



software VAR should have very definite ideas about the best configuration of the network, servers and database. These may clash with the hardware vendor's concepts. It is important to iron these out before going forward. Try to get a layman's description of the issue so that you can provide your input. You do not want to be in the middle of a finger-pointing match. These vendors will have to work together at several stages during the implementation and afterward for as long as you use each vendor (we prefer the words, Business Partner, because each vendor is vital to the success of your business system).

We worked with a client who had a very close relationship with their hardware/network provider who recommended a virtual server with SATA drives for their SQL server. That configuration was a definite No-No at that time (the SATA drives still are—those hard drives are for personal computers, not servers). We had a clash of our concepts. The hardware vendor won. After several months of use, the system began to develop data problems that were worse during high usage times. The server was unable to keep up with the volume of transactions and seemed to be mixing up data.



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Unfortunately, the client “went silent” on the solution and just calls us to fix the symptom, rather than fix the problem.

Good relationships and open dialogue can save you significant grief as your system comes to production. You may have other suppliers or vendors to introduce to your VAR. These may include your bank for Electronic Funds Transfers; vendors and customers for Electronic Data Exchange (EDI); your Web developers if you integrate your Web store; your payroll vendor; your CPA and so on. You must introduce anyone whose data affects your system or whose system you want to update with your data.

## If you read nothing else:

**Coordinate cordial, informed relationships between all parties involved with your new business system. This includes your hardware and network support team and any one else with a technical relationship to your company's business system.**

## Planning

It is almost impossible to over-emphasize the planning stage of your implementation. Short cut it and you will almost surely fail. Of course, you must “pull the trigger” in order to succeed, but you will be on a cycle of: plan, execute, evaluate; plan, execute, evaluate; plan, execute, evaluate for the next few months as you implement your business system! As we all know, nothing ever goes according to plan, but planning provides us with alternatives when things do change or go awry. Your pre-sale process with your VAR should have painted a good picture of your requirements. Now, you will build on that foundation. You will (unless you purchased a detailed systems analysis before you purchased the software) drill down into the details of the needs, objectives and goals you stated.

For example, perhaps you said you needed a Bill of Lading (BOL) and left it at that during the prepurchase phase. Now you need to get the detail hammered out with questions like this: is this a



summary or detail BOL; do I have hazardous materials that I must identify on the BOL; and so on. Perhaps this is the first mention of hazardous materials. This may have a significant impact on your inventory item card and the layout of your Bill of Lading. Additionally, you may want to have the system print your Material Safety Data Sheets to accompany the BOL. Whoops! Suddenly, a seemingly simple form uncovered a significant change to your requirements. It is far better to discover this now than when you have a truck waiting at the door for your shipment and the driver refuses to take it because the paperwork is not in order.

Planning includes the allocation and use of employees' time; consideration of holidays, vacations, family leave, leave of absence, business conferences, military obligations, compliance deadlines – anything that will prevent your staff from participating in the implementation process. Will you need to hire temporary workers? Will you need to authorize overtime? Will you need to hire to fill a new position to utilize some component of your new system? For example, as a manufacturer, will you need to hire an experienced planner to streamline your processes while capitalizing on the benefits of your new system? Do your banking covenants require approval of new reporting layouts? Perhaps you are looking forward to implementing a new Human Resources system. Do your employees have the education and experience to use the system to benefit your business without endangering your company with hiring practices that are illegal or discriminatory?

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Look back at the objectives you set for the system. Look at the issues you outlined that are preventing you from accomplishing more. You spent the time to document them, didn't you? Well, now it is time to dig a little deeper and determine how to implement the new system in the best way to maximize your return and minimize your problems.

Let's say that you are adding EDI with an important vendor or customer. What will you do if the linkage can't be certified in time to go-live? What if your vendor's staff doesn't respond on a timely basis? How will you handle the work of testing? Can you negotiate with your vendor or customer for an extension of time, or better yet, a guaranteed turn around on test results? What will you do if you get the volume of orders you were promised and the EDI interface doesn't work? How will you handle that? Determining the answers to these questions will help you deal with the stress of delays and challenges that aren't necessarily of your making. We helped a customer deal with just this type of problem. They purchased an EDI ISV product against our recommendation (it was "cheaper"). We worked with the vendor for almost nine months to get the product to work. They promised it was working when the customer bought it; however, they didn't tell them that the interface was to a much older version of the ERP system. Our customer slipped from a "best" performing vendor to the worst performing vendor of their customer and almost lost the business. Fortunately, we were able to fix the EDI interface to handle the 10,000 orders per month they were receiving.

Your planning will involve the Project Manager, Consultants from your VAR, Subject Matter Experts and End-Users from your company, as appropriate. Your VAR should have the experience to help you do this detail planning. You may have mini-Pilot Projects to demonstrate and evaluate various methods of handling tasks. Use these demonstrations to sharpen the plan; don't be sidetracked with the excitement of the new software.

## Basis for Planning

You will use the documents developed during the pre-sales (pre-decision) process to guide the planning.

The planning will drill down to the specifics of how something will be done, based on what must be done (developed during the pre-sales process). Expand on these documents, convert them into the working papers for the implementation. Use actual customer orders, purchase orders, cash

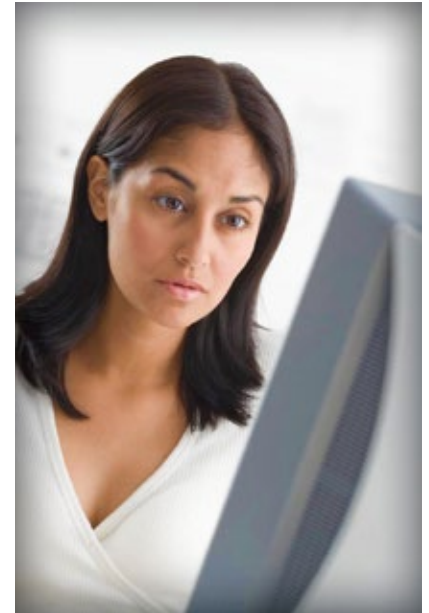
receipts, production orders and other documents from your regular, daily business. Don't make up transactions. That won't provide a good basis for planning or for testing. And, don't use the software's demo data. Your employees will not relate to the vendors, customers, items, costs and prices from demo data. People do not pay attention to demo data. They have no investment in it. It didn't cost them anything. Since it has no value to them personally, the results in testing will not be evaluated with the same critical eye as if it were their own data. Use your own data.

## Parking Lot

The Parking Lot is the place you put good ideas that are not in the scope of this project. As you do your planning, you will uncover many ideas which will fall into one of four categories.

- Great idea, but not in scope;
- Great idea and in scope;
- Good idea but other competing ideas that are equally as good;
- Other ideas that are not so good.

There is one other category that is easily identified, and almost always out of scope. It begins this way, "Wouldn't it be nice if...". That is always your clue to put on your filter and route it to the parking lot.



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If an idea (good or bad) is not in scope, write it down in a “parking lot” list (a list of ideas to be considered after the project is completed). This will preserve your time and energy. You won’t have to make a decision about each idea. If the idea is exceptional, you may want to add it to the project as a change of scope. (Don’t change the scope without formal approval.) Changing the scope of the project will affect your timeline, budget and resources.

### Testing Ideas

Some ideas need simple exposure to the light to eradicate them from consideration. They may be unworkable, too resource intensive or too light in results. Other ideas and plans will have significant value and will be competitors for a part of the final solution. Your planning group and Subject Matter Experts (see the “Define Roles” section) will be invaluable in this exercise. As you plan, test your assumptions. Some of this testing will be intellectual. Some will require more involved testing, including testing transactions and resulting procedures. Testing will occur during all stages of your project. The point is that your planning is more than an intellectual exercise. This is about using all of your business experience, education and training.

### Data Conversion

Perhaps the most difficult decision now is the type and amount of data you will convert. We recommend making this a separate part of the project so that you can easily eliminate it, if you decide to do so. Many clients want to keep all their history. After all, they have paid a great deal of money for their staff to enter it into the computer.

### If you read nothing else:

**Data conversion can be an expensive proposition. Determine the benefit you will gain before authorizing data conversion. If you don’t trust the data in your current system, will it be more trustworthy when you put it into your new software?**



Sometimes it is appropriate to convert all the data; more frequently, it does not pay for itself and actually hinders functionality in the new system. Data conversion can be very expensive. Converting transactional data can be very challenging and may require input from your current software vendor who may not be forthcoming because you are switching to new software. Software versions change data structures and values. Just because your VAR has done one conversion from the software you are on doesn’t mean they necessarily know how to do yours.

We implemented a new MRP system for a manufacturing company who decided to convert all 20 years of their data from their mainframe system into their new PC system. We were able to do so. However, it took four tries to make the data meaningful. Each time we converted the data in a new way, the client found more data that wasn’t consistent because of previous software conversions. They had upgraded their software several times. And, they had changed their item numbering scheme and later their bill of materials methodology. Unfortunately, no one remembered all that until they looked at the converted data and saw the problems. They found that even though the data was finally consistent and accurate, it was of little value because they were able to do things so much more efficiently with the new system.

You may decide to convert just master files for customers, vendors, inventory, bills of material,



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routes, machines and so forth. On the other hand, you may decide to convert open balance items for accounts receivable, accounts payable, inventory and work in process balances. Many clients find it is a great training exercise to enter these items. Others either don't have the time or don't want to do so. There isn't a pat answer to this question. You may just use your old system for lookups or develop reporting views that allow the user to see data in the old system while in the new system.

Frankly, you will not have a broad enough base of understanding of the new product to be able to answer this question before you get some basic knowledge of the new system. Once you begin to understand the new system, you can decide, in consultation with your VAR, what you should convert. Most VARs recommend that you do not convert transactional history. You must decide if you can keep the old software running long enough so that you can look up data in it until you have built enough history in your new system.

Now, get the agreements signed and begin the process of realizing your new business management system benefits.

### **Discovery, Implementation, Testing, Training, Define Roles**

Right now, you will be selecting people to fill critical roles for your project. We are providing estimated time commitments for the participants. If a person is playing two roles, add the time together. If it

exceeds 100%, you are in trouble. If a person is 50% committed to the project, he or she will have 20 hours per week left to do their normal tasks. This can be a significant burden, so be prepared to deal with overtime, delay of regular work and possible temporary workers.

You must carefully consider each individual's workload and aptitude for a specific role prior to assigning it. Assigning a role to someone who doesn't have time to meet the project requirements is just as bad as assigning the role to someone who doesn't understand the requirements, doesn't have the skills or doesn't have the aptitude. The work groups who take this project from inception to go-live are critical to the success of the project. You cannot overestimate the critical nature of these roles.

Make sure that your team and staff knows that these roles carry responsibility that may be outside their normal job authority. For example, you may select a Customer Service person as the Project Manager. He may be required to set requirements for his own boss. Obviously, that can cause a problem. Just make sure that you are setting the right guidelines and it can work.

### **If you read nothing else:**

**Your choice of people for these roles is the second most important decision (following your decisions about objectives) you will make. Make sure that each person understands and commits to the project whole-heartedly. Then back them to the hilt during the course of the project.**

**EXECUTIVE SPONSOR** (Time Commitment <5%)  
The Executive Sponsor supports the Project Manager in ensuring that the direction of the project is in line with the strategic objectives of the company. The Executive Sponsor will do two key things in this project. First, provide guidance/support/outside



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viewpoint as needed by the Project Manager. Second, strengthen corporate endorsement of the project. The key responsibilities for the Executive Sponsor are:

- Review periodic project status updates
- Facilitate the necessary environment for change
- Provide additional corporate authorization for project changes

## INTERNAL PROJECT MANAGER

(Time Commitment 50%)

Your Internal Project Manager will work closely with the VAR's Project Manager to monitor and control both the timeline and workload assignment during the project. This person must be detail oriented and have good communication skills. This person must also be committed to the success of the project. The key responsibilities are to:

- Approve the project budget & plan
- Define expectations and success indicators
- Make policy decisions
- Oversee the entire project
- Ensure deadlines are met
- Ensure project is held to scope
- Maintain communication lines with project team
- Ensure Executive Sponsor is kept up to speed
- Provide sign-off on milestones/deliverables
- Actively participate throughout all phases of the project
- Ensure team members are available for analysis & design workshops, system set-up, training and testing
- Ensure all data files are available for migration to the new system
- Ensure that the required infrastructure is in place
- Assist in resolving day to day issues related to the project
- Manage issues and issue resolution during the project

## PILOT TESTERS/SUPER USERS

(Time Commitment 10% to 15% throughout the project, 50% to 65% time commitment during key testing periods and final end-user training)

Pilot Testers or Super Users test the procedures and implementation methods that the VAR and your team develop. This is the primary method for determining problems before Go-Live. These people must test every aspect of the solution as implemented using real data. Responsibilities are:

- Represent a specific department or responsibility set
- Perform testing throughout the project
- Provide details regarding department requirements/needs (involving end-users and Subject Matter Experts as needed to fully develop picture)
- Test and validate that preliminary configuration will meet department requirements/needs
- End-user training assistance
- First level support following Go-Live

## SUBJECT MATTER EXPERTS

(Time Commitment <5%)

These people are the ones "in the know", the ones everyone says, "Ask ...". They may or may not be involved in Pilot Testing, but they understand current processes, current results and customer or vendor expectations. Their input is critical to developing a complete solution. Responsibilities are:

- To consult or lend expertise as needed – typically in the design/configuration & testing stage of the project
- To carry excitement and message back to fellow end-users

## END USERS

(Time Commitment <5% throughout the project, 25% to 50% time commitment during end-user training.)

These people are anyone else in the organization who is not involved above, but use (or will use) the system. They may or may not be involved in weekly updates, but their buy-in to the project is critical.

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Typically, the Subject Matter Experts carry the message back to their fellow workers to develop excitement and buy-in.

- Limited or no project involvement – consulted, as needed
- Receive training and practice training immediately prior to Go-Live date

The individuals who make up your implementation team are responsible for the success of your project. If you have no Executive Sponsor, you will not have the political capital to get through tough challenges when you need someone to backup an unpopular decision or need to make a change in scope. Without a Project Manager, your project will flounder over small details that turn into big problems. Your testers and Subject Matter Experts provide the myriad technical details that make your business successful. The person's responsibilities and authority during the implementation may be different from their normal responsibilities.

## Kick-Off Meeting

Once you have your plan in place and people assigned, you are ready for the Kick-Off meeting. The general goals of the Kick-Off Meeting are to introduce the project, generate excitement, express the impact of the project, set the tone for the project, develop understanding of scope and timeline, help maintain positive attitudes, stop rumors, enable buy-in and discuss change management. This is the time to bring the rest of the company into the plan. The more you share about the plan, the positive and negative aspects of the change, the better your organization will do. (Depending on length of implementation, you might split this into two meetings, one for people involved in the pilot project and another Kick-Off with everyone else prior to flipping the switch.)

Your VAR will typically chair this meeting. Your Executive Sponsor will share her vision for the project. Your internal Project Manager will introduce the various responsible parties in your company. The VAR will introduce her staff. This is the time to



set the stage for the expectations for the next three to nine months (depending on the complexity of your implementation, this could be longer). You will be alerting your staff to the challenges ahead.

Your discussion with your staff might include things like this: There will be times of double duty when you are learning the new software or testing the new software by re-entering today's business into the new system. There will be problems with the new system; that's why we are rolling out this Pilot Project. We have selected you because you are important to the success of the project; you have the right skills, aptitude and desire. Please convey a positive attitude to those of your fellow workers who are not involved in the project. We know that change is hard; here is a plan to make it a little easier. And so on ...

## System Configuration

During the next month (perhaps six months, depending on the complexity of your system), it may seem like little is happening. Your hardware vendor will probably install some new equipment, but everything remains the same. Your VAR is hard at work preparing the next phase of the project. They may be programming or developing custom reports, dashboards or business intelligence views. Perhaps you want to do a master file conversion. They will be busy during this time. Make sure you have regular updates from their project manager. During this time, much of the activity is theirs – your time will come.

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## Pilot Project

Now your activity level begins to pick up. Depending on your terminology, this may be a “conference room pilot”, a “test conversion”, a “proof of concept”, or “beta” implementation. No matter what you call it, this is the time to dig in and do the odious, time-consuming work of testing. If you do a trial conversion of transaction data, take the next several days of work and enter it immediately into both systems.

### If you read nothing else:

**Pilot projects aren't fun. You don't have enough hours in the day and now you are trying to test a new system. Don't skip this step if you have a complex project. While it takes a lot of time to test a system, making corrections after you go-live is even more time consuming, frustrating and expensive.**

You aren't trying to duplicate the process; you are trying to understand the result. Your new business management system will process and report differently. Develop your understanding of the new system's process and results by comparing to the old system where possible. Some results will be identical; other results may be very different. For example, customer and vendor invoices will have the same results for price, sales tax and terms. However, you may find differences in cost of sales and inventory handling if you have adopted different methods of order fulfillment. Take the time to understand this now. The difference may be desired; however, discrepancies may be the result of poor setup or conversion choices. Alternatively, you may find that the discrepancies are due to flaws in the old system. If that is the case, you may find that your business measurements will be different and you will have to make appropriate corrections to understand the result. This may cause you to reconsider your data conversion. You may change methods or eliminate the data conversion, based on your findings during the Pilot Project.

For example, perhaps you have implemented a “landed cost” inventory process in your new business management system that adds freight, tariffs and other costs into the total cost of an inventory item. This will result in significantly different accounting and costing transactions than you have been used to seeing. Again, take the time to understand this now. Just because the system gives you an answer, doesn't mean it is right. Setup choices may have been made without full understanding, users may not know how to use all the functionality or the software may have a flaw. Don't wait until you Go-Live. You will have a big problem on your hands if you do so. The test system is critical to your success.

While you were doing your testing, you probably found things that were wrong. These items may have required software hot-fixes or updates or configuration changes. Your VAR should be documenting these issues, so that the fix (which you test) is implemented at your Go-Live. Do your own documentation and checklist. Keep a log of issues, the resolution and date the resolution. Use this at Go-Live to make sure that everything is done correctly. There is nothing more frustrating than testing something, having it corrected and then experiencing the same issue when you Go-Live. We have worked with a number of vendors who have good products, but have version control problems. Even though the new version of the software fixes some problems, it may reintroduce problems that existed in previous versions. Good documentation on your part and your VAR will keep this from happening. That is the purpose of this phase. Get rid of the bulk of the problems and misunderstandings before you Go-Live.

## Process Documentation

While you are testing, take good notes. This is your opportunity to develop good user documentation. Every computer system has some manuals (typically electronic). The developer wrote these for the generic user. You are not a generic user. Your

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system has been setup for your company by saying “yes” to some options and “no” to others. These choices obviously affect the result. In addition, many fields can be used in a number of ways. Document your choices as to how you will use them. (Set your guidelines now, before users are under the pressure of a “Go-Live” day when they can’t think because they feel they have forgotten everything they learned about the new system.) Taking time to document your procedures will pay dividends for as long as you use this business management system.

### If you read nothing else:

**One of the best things about standard procedures is that everyone knows to do something the same way. Standards get you more consistent data entry which means you can make better decisions on the data because there is consistency.**

Document using consistent terminology, screen shots, lists and rules. Writing these things down simplifies your life. (My documentation for my NAV tasks is 42 pages long.) You can always make changes in the future, but if the change is not what you want, you can always return to the baseline you established during the test phase. One of the best things about standard procedures is that everyone knows what procedures they are to follow. Putting standards in places means you get more consistent data entry, and data that is more consistent means you can make better business decisions on the data because there is consistency. In addition, you now have a sound foundation for your staff to make changes in a controlled environment, to try to find better ways to do tasks. The standards you set now will help you determine if the change is beneficial, neutral or negative.

### Testing, Training and More Testing

Depending on the complexity of your company and implementation, you may consider doing another test conversion at this point. This will test all the fixes you implemented to the first test system and can provide you with a fresh set of data for your

staff training. Use the same process again, convert the system, take several days of work and enter it into both systems.

Do not skimp on training. Set aside uninterrupted time for your staff to work with your trainer or VAR. Training is mandatory. Do not accept excuses. Have makeup sessions for those who are absent. Do not allow late arrival or early departures. Set your phones to “Do Not Disturb”. Don’t allow “One quick question”, not even from the President. Consider doing this training at the VAR’s office to get a more conducive learning environment. Consider proficiency tests for your staff. Have at least one “super user” who has a strong understanding of the new business management system and your business requirements. This user was probably involved through the whole process to this point.



### Pre Go-Live Conversion Checklist

This list is similar to the list you will use when you Go-Live, but you must verify the elements two weeks before Go-Live in order to allow time to correct any problems. An ERP Pre Go-Live Conversion Checklist may look like this:

- Network & PC Users
  - Setup
  - Passwords set
  - Privileges granted as appropriate
- Printers
  - Correctly named
  - Setup appropriate for task assigned
- Backup
  - SQL maintenance job properly setup, tested and scheduled
  - New software and data included in daily backup system
  - Offsite backups scheduled and assigned



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- Preprinted forms & supplies
  - Adequate supply available for startup
  - Checks verified for account numbers and alignment
  - MICR toner cartridge available for check printing
  - Preprinted Invoices verified and available
  - Customer Statements verified and available
  - Purchase Orders verified and available
  - Properly sized barcode labels verified and available in appropriate printer
  - Barcode thermal ribbon available for barcode printer
- ERP Users
  - Setup
  - Passwords set
  - Privileges granted as appropriate



## The Day Before Go-Live Checklist

- Accounts Receivables aged AR report of all open invoices, credit memos, checks printed
- Accounts Payables aged AP report of all open invoices, credit memos printed
- Inventory count & value
  - Inventory valuation printed
  - Balance equals General Ledger
- General Ledger
  - Balance Sheet printed
  - P&L printed
  - Budgets printed
- Open Purchase Orders printed
- Open Sales Orders printed
- Manufacturing open Production Orders printed

## Go-Live Conversion

The big day has finally arrived! You are ready to put all your hard work, training and money to work. If you have done your homework to this point, this day will be exciting, but anticlimactic. In the panic of the day, everyone will feel that they aren't ready and have forgotten all that they have learned. Of course, it isn't so. Just be prepared. Have support staff on hand ready to help anyone who needs it. Having the "Experts" there minimizes the anxiety and helps catch any problems that sneak through the testing process.

New issues may show up, but most likely today will run smoothly. However, before anyone enters any transactions make sure you have validated any converted data. You will find it extremely difficult to reconcile transactions if the starting values are wrong. You checked all these things during your testing, so you should have a list put together. Your list might look like this for your ERP implementation:

- Accounts Receivables equal old system
  - Total balances
  - Aged properly
  - Customers balance
  - Balance equals General Ledger
- Accounts Payables equal old system
  - Total balances
  - Aged properly
  - Vendors balance
  - Balance equals General Ledger
- Inventory count & value equal old system
  - Locations setup properly
  - Inventory value method(s) set properly
  - Counts valid for each location
  - Bins, lots & serial numbers correct with proper expiry dates
  - Weights, volumes and other information correct
  - Inventory item cost is correct for each location
  - Balance equals General Ledger

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- General Ledger balances equal old system
  - Balance Sheet is correct for various periods and years, including current
  - P&L is correct for various periods and years, including current
- Customers converted properly
  - Open Invoices
  - Open Credits
  - Balances
  - Credit Terms
  - Categories
  - GL Accounts
- Vendors converted properly
  - Open Invoices
  - Open Credits
  - Balances
  - Credit Terms
  - Categories
  - GL Accounts
- Open Purchase Orders converted
  - Correct quantity & cost
  - Credit Terms
  - Delivery dates
  - Ship-tos
- Open Sales Orders converted
  - Correct quantity & cost
  - Credit Terms
  - Delivery dates
  - Ship-tos
- Manufacturing
  - Bills of Material correct quantities and versions
  - Routes correct work centers, resources and times
  - Work Centers & Resources correct costs & setup
  - Shop Calendar converted or setup
  - Data Collection terminals or handhelds setup
- Warehouse
  - Locations setup
  - Bin mapping is correct
  - Bin rules setup
  - Bin restrictions are consistent with special storage requirements
- CRM
  - Integration is functioning

This will not be a short list, but it is critical to making certain that your system is ready to go. Don't shortcut this step, or you may set yourself back by weeks if your data is incorrectly converted. Even more critical is that your team and staff will suffer a significant blow to their morale from which you may not be able to recover. We have taken over projects where the company got to this point and, because they didn't follow through with their testing, the Go-Live failed, and they threw out the investment and went back to their old software. Coming in behind that kind of a failure can be a real challenge.

## Follow-up and Reinforcement

Now is the time to check to make sure that everything you planned is happening. That means both technical and processes. Is your staff following the new procedures? Have you found new issues that didn't surface, or came about after your Go-Live? Are you documenting and communicating these new processes?

There will be new challenges and problems during this stage. Just continue the same process that got you through the pre Go-Live stages. Document the issue, determine the solution, test it, modify based on the test results, test again, train your users.

## Continuous Improvement – Minimize Risk, Maximize Return

Now that you are done, you can relax, right? No, now is the time to start the clock on your new project. You have gotten your new system installed, implemented and running. Now you can begin to take advantage of the benefits your system can bring. No business management system fixes all the problems or grabs all the opportunities the first time. Not only will you have some problems and opportunities remaining, you will have some new problems and opportunities that will come about because of your new system. That's not bad; it means you have solved problems that held you back from accomplishing your move to the next level. Now, your move up the ladder is causing new problems and revealing new opportunities. Your next step is to start again at the beginning. The difference this time is you know the process. Keep

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your team together. Their instructions this time are to monitor your processes and objectives. As they monitor, they will be developing the list for your next project. This may include new objectives, or it may involve problem solving. Either way it is important that you continue your progress. Stopping at this stage will keep you from achieving your full potential.

On the other hand, you may have already planned Phase One, Two and Three before you began the project. Continue with Phase Two. Don't stop. You have the momentum. Keep on going to completion.

The last step to complete the project is to set an annual or bi-annual review schedule to keep the process working. Check the idea "parking lot". Should you incorporate any of those ideas? This is the perfect time to consider these ideas. Wait a minute – you already know the drill, right? We are back at the beginning – you are continuing your process of improvement and now you have more experience to make the process even better.

### Warning Section

As you go through your project, you will encounter many challenges. Here are a few that you need to plan for before they occur.

### Fear of Change

There might also be resistance or reluctance to change. There will be times of great apprehension, especially in the last week before you Go-Live. No one likes change. You or your VAR must encourage people to share these feelings. Generally, more training and familiarity with the new software will change these feelings.

Some people will express a great deal of negativity. Don't be afraid of it. Have the person fully explain his concern. Many times just doing so will clear the air and the problem will not come up again. This is especially true when you or your VAR can say, "We have considered this issue and when we get to this issue in the implementation we want your input to make sure we have addressed this issue properly." (Make sure that you follow through.)



We find that most people in our clients' organizations are dedicated to the success of the company. They are hard working and want their company to succeed. While they may not understand everything that drives profit, they want to make sure that they are doing their part to help the company meet its objectives. Recognition of this will go a long way to smoothing out some of the bumps.

Sure, you may have a small percentage of your staff that doesn't feel that way, but most of your staff does. You may have some people who love the old system and don't want to change. Address this now. My comment during the Kick-Off meeting is that we expect everyone will be doing his or her best to make the new system succeed. Our commitment, as a VAR, is to the success of the business. We have seen sabotage, sometimes deliberate, sometimes unintentional. Our job is to do what we can do to assure the success of the project, and we don't tolerate people who refuse to participate in success. With this introduction to the project, everyone has a clear expectation and we rarely see a problem.

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## Workload and Scheduling

During an implementation you and your staff may experience work and energy overload. Learning new things can be very stressful. You will have to work through misunderstandings. Your understanding of various features of the new business management system may be wrong or, at least, flawed. Just because something seems logical to you, don't expect the system to use the same logic. It won't. There will be things that you will discover that just seem "stupid". Other things may seem to be clumsy. Yet other things will be inadequate. Be clear on your objective and determine the best method or work-around to accomplish your objective. Your VAR should be able to help you through this.

Have your staff and budget prepared for some heavy workloads. New systems testing can be time consuming. Consider how you will deal with these heavy workloads. Can you hire temporary workers? Are there some tasks that you can postpone? Are you initiating multiple projects at the same time that are competing for resources? Which one can you delay?

While you are doing your planning, you must consider vacations and other planned absences. Having a critical employee gone during the planning or testing will delay the whole project. Include these interruptions into your timeline. While you are at it, plan some slack into your timeline to deal with unexpected problems. Something will go wrong at an inopportune time.

Make sure that you clearly communicate the implementation schedule. And repeat it frequently. Many times, people forget, or didn't listen the first time. You may need to set some blackout periods when you will not authorize time-off or vacations. Make these announcements early. Your preparation will help ensure the project isn't delayed by a key person's absence.

Most people are willing to put in the extra time and effort it takes to learn the new business management system and to test the new system, even while doing their normal duties. You may need to hire some temporary workers. You may need to



relax some requirements to your internal customers (never to your external customers) for a short time while the new system comes on-line. Plan these times in and remember the plan when in the heat of the implementation.

## Milestones

One note on Project Management and timelines – be wary of Lump milestones. This frequently occurs in programming or file conversions. Let's say you are converting master files. Today is March 1 and the files are due in your office on April 1 (no, that's not an April Fool joke, it just happens to be March while I'm writing this.) If you don't see intermediate steps (Customer file, March 5; Vendor file – March 12, etc.) you will not have a way of judging the progress. The Project Manager should break this down into daily, or at least weekly chunks of work. Then each business day the Project Manager can determine how much progress each person or department made. Expect to get weekly progress reports. Use this same principle for your internal work.

## Conclusion

Well, if you stuck with us this far, congratulations! You have gained one of the key elements it takes to succeed, perseverance. You will face many challenges that will try to divert you from your goal. Keep on track and you will savor the rewards of success. Give us a call if you would like to discuss anything we need to clarify as to how it applies to your project, or if you would like our help in your next implementation. And, if something you read here really helped, please email me at: [ronk@bautomation.com](mailto:ronk@bautomation.com); or call me (763-571-8580) to let me know. I would appreciate hearing from you. Good Luck!





## Useful Terms and Definitions

**BI: Business Intelligence** – is the process of distilling data into actionable information. BI may also refer to the tools used to accomplish this task. BI elements include dashboards, gauges, alerts and other methods of conveying critical decision-making information quickly, accurately and timely. BI varies greatly depending on the person's need based on the job he or she has. A purchasing agent may need to know which products are critically low, which purchase orders to expedite or other information related to supplying customers or manufacturing required products. A CFO will require information related to cash flow, pending sales, credit lines and other financial measurements. BI provides this information in real-time (or near real-time) without running reports.

**CRM: Customer Relationship Management** – these software products at the simplest level, provide an electronic rolodex of customer, prospect and vendor information. At a higher level, it may include marketing and sales processes and tools, integration to your ERP system, quoting and case or warranty management, in addition to calendaring and email management. CRM generally includes tools to provide a systematized method to track marketing and sales activity. This information provides the sales person with reminders, automated communications (letters, emails, quotes, etc.), and records of communications to facilitate the sales process. Management may derive a sales pipeline from the sales process with defined steps or it may be informal (scribbled on a napkin over lunch).

**EDI: Electronic Data Interchange** – this is a defined methodology for transferring documents (purchase orders, invoices, advanced ship notices, etc.) between different computer systems. The American National Standards Institute (ANSI) X.12 standard defines these documents in the United States. For example, EDI translates my purchase order (which I create in, for example, Microsoft Dynamics NAV) to a file that is transmitted through a VAN (Value Added Network) to your computer (for example, Sage Pro) as a Sales Order. Each of these documents has a number (Purchase Order – 856, Functional



Acknowledgment – 997, and so forth). Each of your trading partners may use a different revision of the same document with different data standards. The ANSI X.12 standard provides a means to make the translation possible.

**ERP: Enterprise Resource Planning** – is both a discipline and a category of software. It most commonly means a software system designed to improve a company's performance through resource planning, production and operational control, and management control. This software typically includes accounting and finance modules as well as inventory control with sales and purchase orders. In a manufacturing environment, it will include Bills of Material and Routings as well as production and inventory planning. It may include capacity planning for resources like people and machines. ERP for distribution and manufacturing companies will frequently have integrated forecasting and planning tools to facilitate purchasing and manufacturing orders. ERP systems may also include sophisticated subsystems like Warehouse Management Systems (WMS), Material Resource Planning (MRP) and Manufacturing Resource Planning (MRPII).

**Goals:** Long-term aims that you want to accomplish, generally broad in nature and may be abstract. E.G., "We want to be the most efficient provider of widgets to our customers."

**ISV: Independent Software Vendor** – Software development companies whose products look like a part of an ERP product. The ISV software may or may not be certified by the ERP vendor. Some ISVs will OEM their software to the ERP vendor.

**IT: Information Technology** – Professionals in the IT field have many names and the IT field itself has many names. You may see CIO (Chief Information Officer), Director of MIS (Management Information Systems), Director of IT or other similar names. The field, IT, and its professionals encompass many areas of expertise, including: PC hardware, Servers, network hardware, operating systems, databases, software, security, Internet, Web servers and access control, to name a few.

**Lean (Lean Manufacturing):** Lean is a system of eliminating waste from a process. It is a process of identifying waste and value. You can increase or enhance Value by first identifying and then eliminating waste. Lean focuses on repeatable standard work processes so that everyone does their tasks in the same way. The standard provides the foundation against which change can be measured (does the change reduce waste or does it create more waste than the standard). Lean Manufacturing involves the operator who performs the step as a part of the team to improve the process. This collaborative effort involves people from throughout the company in the manufacturing process. This process empowers the individual to use his or her own creativity to change the standard in conjunction with others on the team.

**MRP: Material Requirements Planning** – a production planning and inventory control software system used in managing manufacturing processes.

**MRPII: Material Requirements & Resources Planning** – expands on the MRP concept to include capacity constraints in the form of machines, work centers and personnel.

**Objectives:** Concrete attainments required to accomplish goals, narrow or precise achievements that can be evaluated. “We will increase our order fulfillment rate from 90% to 95% by clearly articulating our stocking product list, setting stock levels based on the best scientific methods available and collaborate on our weekly forecasting with our customers.”

**OEM: Original Equipment Manufacturer** – has two connotations: 1) Components manufactured by one company and sold as a part of the purchaser’s product. 2) Products manufactured by one company and sold under the purchasing company’s brand name. In the software world, one software developer may include a second developers product under the first developer’s brand name. This is frequently done with products for EDI and freight software that require integration to many third parties.

**SCM: Supply Chain Management** – software tools to facilitate the communication of requirements and available product in the distribution channel. These tools are designed to provide quicker communication of demand (people or companies buying a product) to the distributors and manufacturers. The goal is to make and sell more of the products that are in high demand and less of the products that are in low demand.

**VAR: Value Added Reseller** – a company who sells software written by another company. Most software in the mid and small company market is sold by VARs since most companies require specialized (vertical) industry knowledge. The VAR differs from a retail sale because the VAR brings his or her specialized knowledge or skills to the software. This value may be in a special implementation process or special industry knowledge that facilitates the buyers’ use of the software to accomplish business goals.

## Additional Reading

Liker, Jeffrey K. *The Toyota Way, 14 Management Principles from the World’s Greatest Manufacturer*. New York: McGraw-Hill, 2004

Khalsa, Mahan, Marcum, Dave and Smith, Steve *businessThink: Rules for Getting It Right--Now, and No Matter What!*, Wiley; 1st Edition (April 15, 2003)

# About Business Automation Specialists of Minnesota, Inc.



Business Automation Specialists leverages 28 years of practical business experience with software technology to help mid-sized manufacturers and distributors capitalize on their unique business strengths. We've built our business by helping clients build theirs; enabling them to become better, faster and stronger through improved management controls, cash flow and profitability.

In addition to selling and supporting Microsoft Dynamics NAV and Sage 300 ERP, Business Automation Specialists has written several commercial software products to address specialized, industry specific needs. These include:

- **PayBack Plus**, a software maintenance package
- **Shop Floor Data Collection**, to track time and materials on the manufacturing floor
- **Easy Bound Book**, a system to meet the ATF (Bureau of Alcohol, Tobacco, Firearms and Explosives) Bound Book requirements for companies and individuals in the business of importing, manufacturing or selling firearms
- **NAV Specific Modules:**
  - **Recurring Sales Orders**
  - **Credit Card**
  - **Container Management**
  - **World Ship Link**
  - **Jet Report** - applied invoices to payment received
  - **Resource Pricing** - based on customer sell-to number, or sell-to customer pricing group.
  - **"Promoting"** - a field to a list or page.
  - **Default Ship-to Address**
  - **Customer Sales History**
  - **Copy Comments from Customer to Sales Order**



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