Overview

You have already made the investment. Make sure that you reap the benefits.

The new ERP system is now 'live' and the consultants that worked with you to get it going are *finally* ready to depart. Is that it? Are you done?

The investment in computerized information systems is a two-edge sword. The return on investment can be very rewarding, however research indicates that many of the organizations having implemented such systems have failed to realize the expected benefits. The reasons are numerous, but typically result from a project scope that was not inclusive of the need to reengineer business processes or the project was being pushed to completion to control the cost of both the consultants and internal resources. Given that the technology implemented has been proven, one usually has to look at issues beyond system functionality to achieve implementation success.

What Did You Learn From The ERP Project?

The short answer is that your organization learned about the killers of project success. These are my 'dirty dozen'.

1. There wasn't a clearly articulated Vision Statement for the project. This should have been done before the organization started the search for the new system.
2. Processes were either not reengineered or the reengineering did not include all stakeholders in the process.
3. Executive management was not properly organized in order to respond in a timely and appropriate manner to issues that arose. This leads to a deficit of having a powerful guidance and executive presence which then leads to complacency in the project team members.
4. Obstacles that are in the path of success are not dealt with expediently. They then become more problematic as time elapses.
5. The project scope documentation and control was not tight enough to contain the scope-creep that occurs.
6. Success was not celebrated. Quick wins are essential to building momentum in a project that is going to change how people do their jobs. Create quick-win situations and when you have a win celebrate it publicly and praise all those that contributed to it. With each significant win, continue to celebrate (and have a budget item for that cost).
7. Success was celebrated too soon. This leads to a false sense of euphoria and relieves the team from managing the tasks.
8. Communication methods were not developed or deployed properly during the project which allowed rumors and misinformation to derail tasks and impact targets.

9. People didn't know how their system functions impacted other stakeholders. This situation occurs when teams of people were not properly formed to jointly deal with issues and reengineer multi-departmental processes for maximum benefit.
10. The impact of the implementation and system functions on Critical Business Levers (CBLs) and / or Key Performance Indicators (KPIs) was not fully understood.
11. The solution's functionality wasn't what you were led to believe by the supplier.
12. The budget for implementation that was provided to you by the solution supplier was insufficient for the actual project.

You'll Know You Are On The Right Path When…

Now that there's an information system and supporting technology in place, let's look at the areas to measure.

Education

Your employees and significant stakeholders (e.g. critical suppliers, major customers, etc.) have all had a relevant level of education which provides them with the understanding of what your organization intends to accomplish and their role in achieving those goals. Of course, the first step in that process would be to educate your internal staff on the meaning of 'stakeholder' and have them identify who that would be for their role in the organization.

From the top to the bottom of the organization, the term "Life Long Learning" has value to both the employee and the organization.

Team-Based Improvement

Your employees and significant stakeholders are enabled as teams to continue to improve processes and outcomes for the organization. This cannot happen without proper education and a method for people to work through situations where compromise is necessary to ensure progress is made.

Processes Verified

The organization has reviewed, reengineered as necessary and documented <u>all</u> business and operational processes. This is part of the ongoing need to *reduce elapsed business cycles, minimize human movement, reduce overhead and manage risk*. To set the expectation properly, this is going to take some time and the organization needs to prioritize the criteria by which the review is going to take place. To think that only the processes that directly impact the quality and on-time delivery of product and / or services to a customer is <u>wrong</u>. As industries have learned, having processes to quickly and effectively document and control risk factors such as those associated with human resources or data security is equally as important to have as those that impact customer satisfaction.

Metrics

Your entire organization is tuned into the key performance indicators that relate to their roles within the organization. The people viewing the metrics know when they are moving in the right direction and are continuously trying to make them better. Those metrics are updated on a regular basis and posted in a format that is easily accessed and understood by everyone. There are management personnel that have the task of this communication as a key part of their own job performance measurement.

In the early days of Lean we would often use the term "Voice of the Customer" or VOC and we were specifically targeting the organization's customer. Now we recognize that each person within the organization is both a customer of, and a supplier to, others within the organization. Whether that's in the processing of information or the transformation of a product or service, each person expects quality input and should understand what passes for quality output in the tasks they undertake within their role.

Data Auditing

One of the metrics that is often overlooked is the accuracy of both master file and transactional data. When we conduct root cause analysis in customer invoicing, product costing, engineering changes, general ledger posting, sales analysis and other situations identified as waste, we often find that the master files that are used by transactions to create outputs will have errors. In other cases, some information doesn't get into the system fast enough to prevent issues in reporting. The Lean Enterprise invests an appropriate amount of resource to the task of determining the root cause of information-based issues. Maintaining metrics on the accuracy of master file data and results of root cause analysis on erroneous reporting is information that should be sent to managers for corrective actions.

Going Paperless

The cost of paper isn't well understood by most organizations. A truly Lean organization gets to the point where the only paper that is printed is that which requires a signature. For more information on the cost of paper, click here.

Flexibility of Resources

Your employees have been cross-trained to fill other positions within the organization when required. Other resources required in the transformation processes (e.g. production machinery, delivery trucks, computers) also have alternatives should they become unavailable for any reason on a short-term basis. A Lean organization has a disaster recovery plan for each major resource-based risk (e.g. the entire executive team comes down with pneumonia and is out of action for a few weeks).

You'll Be On The Road to Success When…

The culture of the organization has become:

1. Excited by the finding of new ways to do things that add value and / or reduce waste and risk to the organization and its stakeholders.
2. Managers are managing by exception due to the system and process being aligned to only provide them with alerts when something isn't going to plan.
3. There's a noticeable reduction in stress-related reactions by employees.
4. Employees report an improvement in their work / life balance (a key performance indicator for human resources)
5. There are much better results in sales and the retained gross profit of each sale and on each customer.
6. Quote-to-cash business cycles are reduced.
7. People are mobile with timely, accurate information and it's not printed on paper.
8. All key performance indicators are moving in a positive direction.
9. The organization is consistently hitting targets within 2.5% of the tactical goals agreed upon by the management team.

Summary

It is important for the reader to understand that it is not technology alone that will deliver success. In fact, I've seen technology blunders that have resulted in severe damage to organizations of all types. Technology, such as an ERP solution, supports people that are executing their job functions. Each job, or role, that a person has in the organization is comprised of stages of processes that they are involved in. Therefore, the system must provide timely, accurate information to the person so that they execute each task associated with the stage of the process.

True success will only occur when the organization does start, or re-start, with properly modelled processes and documents the information needs correctly. Then the implementation of the data accuracy and transactional timing required to support the people and process will finally deliver the maximum value of the solution.

About the Author

Ken Cowman's career has spanned over 45 years with 11 of those in operations management followed by more than 30 years as an enterprise solutions and continuous improvement project manager, educator, seminar leader and management coach. He has had over 80 articles published in various magazines.

A founding executive of the APICS Peel Chapter, Ken was part of the team that wrote the Fundamentals of Operations Management courses for APICS. He is also the past Chair of the Business Operations Management Program Advisory Committee at the School of Business at Centennial College.

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