It May Not Be the Software:
Getting the ROI out of ERP

Organizations spend substantial amounts of money and resources on the selection, implementation and ongoing support of their ERP solutions. Once the system has been in production for a while the organization (assuming they did a proper job of documenting expectations) starts to look at various metrics in order to determine the success of the venture. Of course, this also assumes they are in that minority of 26% of organizations that were on time and on budget with the project to begin with.

Question begin to be asked in terms of whether the project has improved customer service, improved cash flow, reduced inventory investment, provided better financial management, provided better human and capital resource management, etc. When the numbers are crunched, management begins to ask questions and the organization's coat of arms is displayed by everyone that might be held accountable.

Often, the pointing will be at the functionality of the software…it isn't working in the manner that was expected. That will lead to accusations of the vendor overselling the abilities of the solution (it's been known to happen) or the consultants teaching the functionality weren't good enough at helping the organization set the systems up properly (yes, that's been known to happen too). However, there's a very likely third situation…the users don't have the proper knowledge capital to be able to apply the business situations to the selection and / or setup of the chosen solution.

A Few 'Real Life' Situations

We are going to keep the names and other identifying factors out of the following, but the following are situations that we've come across in our combined 100+ years of consulting. We should also point out that some of these were found in very large organizations that had significant employee education program initiatives…they had no excuse for what happened.

Company #1, a very large (multi-national) food and beverage organization, had a mixture of batch, process and line scheduling requirements. The people on the selection team had never been taught how the method of manufacturing setup in the system had to facilitate the production scheduling, production control and product costing of all three types of production. This project was doomed from the start as they selected software that could not support all three operational environments.

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Results: Production scheduling and control was far less than adequate and two C-level people were terminated.

Company #2 had a person in materials management who had started on the shop floor and worked their way up to the management level in operations. He knew how they had been planning production and inventory for the past two decades but had no knowledge of the newer supply chain methods or how to apply what he knew to the system. After the root issues were determined, some basic supply chain management education was provided and changes were made to the system which then provided proper information for the scheduling and control of operations and inventory.

Results: Inbound inventory reduction of 14% within six months and WIP inventory was cut in half while on time shipments were maintained.

Company #3 decided that the selection and implementation of a new system would be managed by their I.T. manager. The selection was made based on the bias of the I.T. person (no conceptual eduction of the users at all), the implementation failed and the I.T. manager went to work for the company that sold the software to the organization.

Company #4 had a management team that thought that the people in the organization would take on the new system because 'it's better than they have now'. Problem here was that there was no communication plan or set up to properly manage the change in how some jobs would need to be done with the new system in place.

Results included a project that took too long, cost too much and the loss of some significant people in the organization (one termination, three resignations).

Education Investments

If your organization is trying to become more competitve (who isn't?) then the following statement applies: "Becoming competitive requires the organization to have the right people taking the right action at the right time". The questions to ask are:
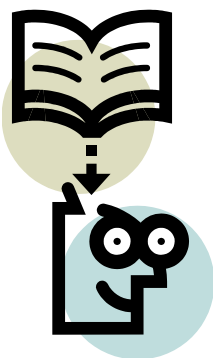
1. "How does the organization know they have the right people to take the right action in a timely manner?"

2. "What prompts a person to take action?"

3. "How does the person know they have information to take action upon?"

4. "How does the person validate the accuracy of the information being presented to them?"

5. "How does the person know they are taking the correct action and passing accurate information downstream?"

Although it is very hard to quantify the benefits of educating the people using the enterprise system, whether it's a new implementation or one that's been in use for years, experience suggests that organizations that invest in conceptual and practical education for all of their

users of enterprise solutions pays off. Continually monitoring the improvements in the organization's Knowledge Capital Index provides one metric for knowing when and where to invest. Another investment that is welll overdue in most organizations is that management ensures that everyone knows the following:

- ✓ The priority of each task they have to do in their positions;
- ✓ How to validate the inbound information that they are going to use to execute each task; and,
- ✓ How to ensure that whatever information they pass to the next stage of any process is accurate and in a format that the next user of that information can make use of it immediately.

Summary

Organizations that spend the time and resources, to improve their knowledge capital before they select an enterprise system and in the use of ERP solutions are typically the organizations that are competing well and have very low employee turnover rates.

If your organization is not getting the expected results…it may not be the software.

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