



# ERP and The Risks of Being Outdated

by Merit Solutions





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## 1. Introduction

The need for modern systems is the most common issue facing today's IT buyers. Systems that haven't kept up with changing business demands impose increasing operational inefficiencies that can severely impact a company's bottom line.

The specific situations that lead to a recognition of the need for modern systems are as varied as the companies involved, but our research reveals that they can generally be categorized under one of four closely-related primary pain points:

- Manual processes that cause mistakes and inefficiencies
- Integration problems with other systems, both internal and external
- Lack of operational insight
- Legacy software support and customization issues

These pain points are not independent of each other. For instance, manual processes are often necessary because legacy systems aren't well integrated, resulting in lack of operational insight.

If you're facing one of these pains, the chances are that you're suffering to some degree with one or more of the others.

## 2. ERP Systems and the Tower of Babel

As the story goes, once upon a time there were people who wanted to build a grand tower at Babel. But as we know, those people were never able to finish the project because of communications problems.

Millennia later we still have communications failures. Sometimes they stop big projects and often they just interfere with day-to-day business.

But why is this going on when we have technological advancements and enterprise business systems that are supposed to cure all ills?

Because one location used a spreadsheet template sales order entry system when an ERP system could have been used. At another location there are sophisticated electronic measurement tools in use - but data seemed to go nowhere and technicians wrote values on paper. Another location had complex routing systems to plan work through many production operations. The router showed the work to be done at each operation - but printed alongside it was another document with work instructions and recipes. This location had hundreds of work centers and thousands of operations.

Did the systems match 100%? Of course not! And you could probably add your own experiences to this list.

What is wrong? Why can't we speak the same language? Why can't we even use the same vocabulary? Why do the people in one silo assume the people who live in another silo will know what they meant and not what they said? Do we capture our production under a job? Or, a work order? Or, a production order? What word do you use?

Today's ERP systems are wonderfully adaptable. You can add fields to existing tables (you can add whole tables if needed!). Once the data is collected from a keyboard or a measurement tool or any transaction - it is available for anyone to use. And use it we must. Data are just facts and figures that have no value on their own. But when presented properly, data becomes information. Information is needed to make decisions. Decisions go on all the time. Should we pull in this purchase order? Should we build a new factory? Should we drop a customer?

Our Tower of Babel systems make the development of information difficult or even impossible. Sure the field from an outside database can be combined with a field from the ERP system – if we know about it. But what about the case where a smart engineer developed the outside database to solve an issue at a certain tool somewhere in a factory? It works great! But no one beyond the immediate area knows it exists. We don't want to employ the preventer of information systems who works with Dilbert. But IT does need to know about improvements and move quickly to move them to the ERP system and make them available to the whole enterprise.

We all need to agree that the ERP system is the place where all data is kept – and we need to learn to use the same tool set throughout the whole business.

### 3. Avoid User Workarounds

Employees trying to complete their daily tasks in the most efficient manner possible. A positive for an organization, right?

Of course, but red flags go up when employees start implementing their own workarounds to the organization's ERP system. What the employee sees as bright 'tips and tricks' to share with co-workers can actually hurt the organization in the long run.

A properly planned ERP system is designed to improve efficiency. To realize that benefit, management must be able to predict how front-line employees are interacting with the system. Combining and streamlining workstreams depends on being able to prescribe how tasks are being accomplished at every level of the organization. What an employee sees as a time saver might actually be creating waste within the organization as a whole. For example, suppose an employee discovers a way to enter two separate bits of data into a single data field. Though it saves time to the individual, there can be negative ramifications to other users and customers relying on that data.

In addition, successful organizations must be able to respond rapidly to changes in customer requirements and business conditions. With a properly implemented ERP system, global modifications of business processes can be accomplished centrally and rolled out quickly. Problems arise when, unknown to management, individual employees have created rogue workstreams by implementing small system workarounds. In such cases, management's best laid plans for a smooth transition to a more profitable configuration can actually disrupt these rogue workstreams, creating waste until the problems are corrected.

It is vital, therefore, that an organization actively monitor how its ERP system is being used. Each manager must realize that software procedures are mapped to optimized business processes. Properly educated, these managers are more likely to keep tabs on whether their workers are following those procedures. Also, IT employees at every level must appreciate the importance of conforming to the ERP scheme. A local IT employee who isn't properly supervised might actually be the one providing employees with a 'quick and dirty' workaround that gets the job done a bit easier.

When management discovers that employees are consistently looking for alternatives to an implemented procedure, it may be time to review whether software procedures mirror business processes in the most efficient manner possible. Perhaps something was missed during the business process mapping phase of ERP implementation. Or it might be the case that the change management phase of the implementation failed to achieve employee buy-in, in which case additional training may be in order.

## 4. Resisting ERP Change: Is It Actually Costing You?

As Winston Churchill once said, "There is nothing wrong with change, if it is in the right direction." However, people and organizations tend to shy away from change because of fear. Fear of the unknown. Fear of something new. Fear of failure.

The same holds true when considering ERP change. Even though new ERP has proven value, we fear taking away our "tried and true" ways of working. Employees are used to working in disparate systems, re-entering manual data, using Excel to "patch" gaps, and waiting for responses to business-critical information. We overlook the cost-implications of these time-consuming tasks, and instead focus on "what's worked for years". And in our fast-paced world, time means money...

So, the question is: How can you overcome the fear of change, and view ERP as a necessary competitive advantage? Here are a couple of factors that will not only increase internal support of ERP change, but will also increase the probability of a successful implementation.

### 4.1 Executive Sponsorship

Every successful ERP implementation begins from the top-down, with full executive sponsorship both in funding and resource commitment. During large ERP projects, the Executive Team must make tough decisions regarding key business processes, organizational changes, and other critical issues that will not be resolved without executive involvement.

### 4.2 Business Process Planning

ERP systems will change critical business processes across the organization, automating manual tasks, connecting departments, and increasing visibility to information you didn't have before. New ERP systems will remove inefficient practices and turn them into productivity boosters. All of this, however, is dependent upon your ability to properly plan for these efficiency improvements and process changes.

### 4.3 Communicate Early and Often

When it comes to change, you cannot communicate too much. The more people know about why you are changing, how it will benefit the company, and how it will affect their jobs, the less resistant they will be to any new implementation. If you communicate early and often, you can respond to resistance before it becomes problematic.

### 4.4 Involve Employees At Every Level

As mentioned above, your people understand your current systems. When asked to give up what they are comfortable with, you will most often get resistance. The more involved your employees are in the ERP process, the more buy-in they will have into the project. This will lead to a sense of "ownership" of the project, and will speed user adoption.

## 4.5 Train Like Champions

Training employees on your new system is critical. You must make sure that all employees know and understand how key business processes will change, and the new ways of getting things done. In addition, you must take advantage of ongoing training opportunities and resources that can improve employee productivity.

## 4.6 Reinvest For Your Benefit

Your IT investments should not stop upon your ERP implementation. A recent NYU study, "Which Came First, IT or Productivity?", indicates that the use of ERP systems actually causes performance gains rather than strong performance driving the purchase of ERP. It also shows a positive feedback loop in which successful IT investments initiate a continuous cycle of investment and gain. Reinvesting in IT is reinvesting in productivity. Most modern ERP systems deliver built-in, flexible functionality that provides business value now and into the future. They simplify your business processes with a single solution that connect financials, manufacturing, supply chain, sales and marketing, project management, human resources, and services information. They improve productivity by providing your employees with familiar, easy-to-use tools - plus, they are flexible and easily customizable, enabling you to adapt to growth and change.

Which brings us back to change. Arguably her most inspiring quote, Maria Robinson once spoke about change, "Nobody can go back and start a new beginning, but anyone can start today and make a new ending."

## 5. Don't Put Off an ERP Upgrade

ERP systems extend into nearly every aspect of a business, and the risk of business disruption related to the ERP system is one that most companies will avoid as long as possible. As a result, many companies delay upgrading their ERP systems longer than they should.

But these companies are ignoring the many opportunities that are available while running on newer releases of an ERP system.

### 5.1 New Releases Have Enhanced Functionality

Most ERP vendors add new functionality with each new release. Especially if a company is in a regulated industry, access to that enhanced functionality may be crucial to meeting regulatory requirements, meeting deadlines for instituting new procedures and avoiding fines from failure to obey new regulations. Even in industries that are not highly regulated, business processes change and evolve. New functionality generally streamlines business processes by eliminating non-value added steps or increasing visibility into business metrics or the supply chain. Every company can benefit from this type of enhancement.

### 5.2 Updated Technology Reduces Risk

ERP vendors keep relatively current with their supporting technologies and platforms to ensure that their customers can be supported. Newer technology takes advantage of innovative support and delivery methods. It is easier to find skilled resources to work

on the newer technologies than it is on older releases, and the opportunity to work with new versions of the platform and operating system attracts the best and the brightest candidates.

Updated platforms also eliminate bugs or software glitches found in earlier releases, ensuring a more stable system. As the underlying technology ages, it takes longer to find and institute fixes because the availability of technical skills may have eroded, so any downtime may easily become extended and cause business disruptions that may be difficult for the company to recover from.

### 5.3 Better Support

The older the release the company runs, the more likely it is that it will be off maintenance. While most ERP vendors make every effort to service and support all their customers, it is more difficult and time consuming on an older release.

The vendor may not have an environment for that release loaded if it's not in common use. Creation of an environment adds to the time necessary to find the fix. People with the necessary skills in the company's version may have moved on to other positions either inside or outside the company, so it may be difficult to find someone familiar with the code and the functionality.

### 5.4 Less Risk

The older the release, the longer any downtime is likely to extend. The risk of extended business interruption is actually greater for companies that run on older releases than it is for companies that run on more current releases.

Not only is there a risk of extended downtime, but as mentioned earlier, there is increased risk of failing to meet newly enacted financial or industry regulations that were not in effect at the time the vendor released your present release version. Your company must either customize the code, integrate to a third party tool or devise a manual system. Each of these options is expensive and inherently risky.

If you've been struggling without the newest functionality because of reluctance to undertake the ERP upgrade process, there's no reason to wait. You have nothing to lose and you will help your company improve accuracy, control costs and reduce risk by upgrading.

## 6. Conclusion

There are a variety of reasons why companies delay an ERP implementation or upgrade. Fear of change. Budget concerns. Previous experiences with ERP projects.

However, many organizations are actually paying more for inefficient processes and silos of data than they would for a new ERP system – without realizing the ROI that new ERP can provide.

When the right ERP system is properly selected, configured, deployed, and supported – it can provide substantial benefits in the form of streamlined processes, increased visibility, improved decision making, and increased margins.

Are you ready to change?

## About Merit Solutions

Merit Solutions is a global business process consultant and systems integrator with offices in North America and Europe. We are a focused-strategy company with the goal of being the very best at helping clients automate, grow, and transform their business through process mapping and optimization, change management, and innovative IT consulting and development services.

Merit Solutions works with clients to understand and triangulate their exact business needs in terms of people, workstreams, and enabling systems. From future state business process mapping to systems analysis, fit-gap process definition and scoping, sourcing, design and deployment, integration with other systems, and on-going support - we provide end-to-end global services that help clients successfully transform their business and build a foundation that continuously flows value to their customers.

Our clients are typically medium to large, global enterprises who are challenged by inefficient workstreams that cost money, waste time, and reduce quality; information flows and systems that no longer support the goals of the company; and lack of visibility into business data which impedes effective decision making.

## Additional Resources

Related resources to this white paper include:

- [ERP Evaluations: How to Select The Best System to Grow Your Business](#)
- [Planning for a Successful ERP Implementation](#)
- [Decisions, Visibility, and Customer Service: The Value of ERP](#)

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