

Meridian Perspectives

Post Go Live Support

Effective Strategies for ERP Success

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Key words ERP, Go Live, Center of Excellence, ValueMetrics

Summary

Enterprise Resource Planning (ERP) platforms offer terrific opportunities to grow productivity and to rationalize business costs, but only when it drives significant changes at the grass-roots level where all work is accomplished. We describe how to *Survive* (Part One), *Support* (Part Two), and *Gain Value* (Part Three) from your ERP investments in this brief whitepaper.

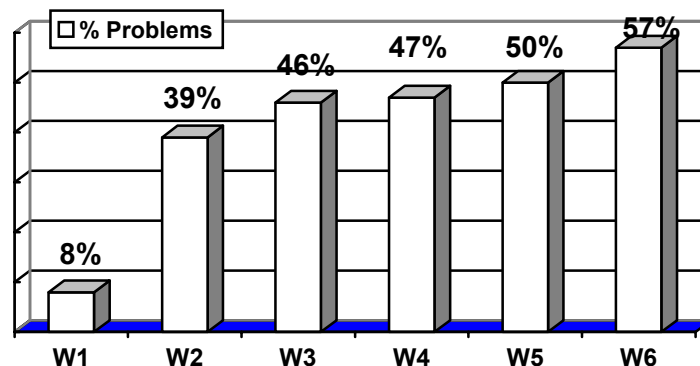


Surviving

Every ERP implementation experiences problems Post Go Live. We begin by offering five 'Points of Experience' gained from supporting ERP implementations worldwide. While every company and every project is somewhat unique, our Points of Experience focus on the most readily observed challenges you and your team must surmount in the immediate weeks and months following your ERP Go Live.

Meridian Point of Experience #1

More than one-half of your Post Go Live problems can occur within four to five weeks following Go Live.



Implication

- The sheer number and velocity of problems can create the misperception that the implementation is ‘out of control.’ The Steering Committee and the project team must aggressively manage these misperceptions.

Meridian Point of Experience #2

Most problems can be characterized as either ‘Things That Don’t Work’ or as ‘Requests For Changes & Improvements.’

- Things That Don’t Work
 - Security profiles that do not support roles.
 - Configuration problems, including ERP functionality that does not work properly and interfaces that do now work properly.
 - Dirty data—ERP systems grind to a halt when data are noisy and inconsistent.
 - Process issues that need to be addressed in order to use the system properly.
 - Training related issues.
- Requests For Changes & Improvements
 - Requests for system functionality that is different from what was agreed to earlier in the project.
 - Requests for functionality that was not included the original project scope.
 - Requests for additional reports.

Implication

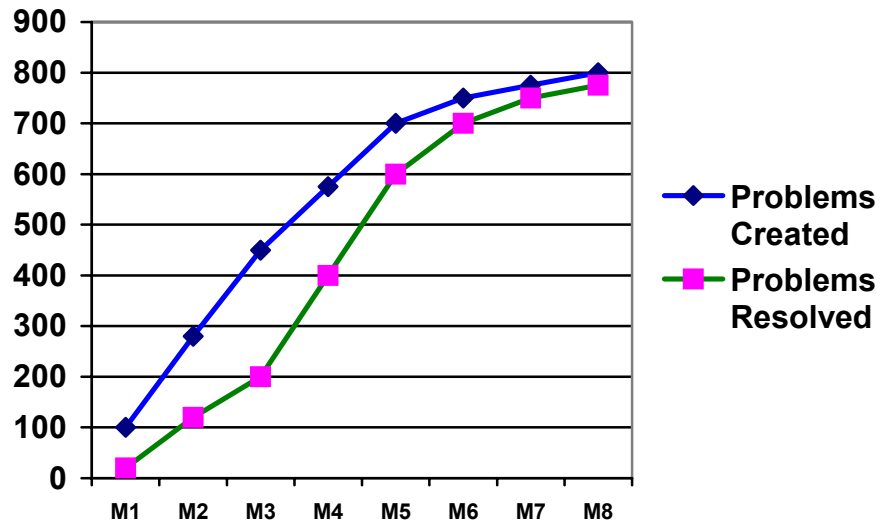
- You must have and follow two well-documented process:
 1. A process for finding, logging, and addressing things that don’t work.
 2. A process for finding, logging, validating, and scheduling requests for changes and improvements. You especially need a mechanism for separating requests that are in-scope for the current project from those that represent extensions of the current functionality (see POE #5).

Table 1. Examples of 'Things That Don't Work'

<i>Things That Don't Work</i>	<i>Example</i>	<i>Root Cause(s)</i>
<i>Security profiles that do not support roles</i>	One firm experienced security access limitations in payroll processing that impeded the ability of the Payroll staff to complete all steps in the payroll process. To fix it they needed to expand the security access for Administrative Assistants to include maintaining bank details and viewing the organizational structure.	Incomplete definition of SAP roles, incomplete linkage of roles to security profiles, incomplete testing scenarios
<i>Configuration problems, including SAP functionality that does not work properly and interfaces that do now work properly.</i>	A company that paid benefit claims found that they had processed only 13% of the total claims received one month after Go Live. It turned out that over 2,000 contracts were missing post go live and additional data cleansing was required for over 30,000 contracts previously loaded into the new system.	Shortcomings not surfaced during testing, data cleansing not complete, configuration and blueprint problems
<i>Process issues that need to be addressed in order to use the system properly</i>	The Goods Receipt / Invoice Receipt (GR/IR) account reached 5,300 lines of uncleared transactions approximately 45 days after Go Live at one company. It seems that Purchasing had developed a 'shortcut' to force an invoice payment and was not clearing the account as a result. A team was put in place to stop this workaround. Since timing of Goods Receipts versus Invoice Receipts will always create an imbalance to the GR/IR account, the team also established an acceptable level of imbalance.	Processes not thought through to completion, process contingencies not comprehensive/sufficiently detailed
<i>Training related issues</i>	A company trained just under 1,100 employees prior to Go Live. Six months after Go Live, the training organization had re-trained over 500 people due to role changes, configuration changes, and remedial training.	Some retraining is inevitable. Root causes for excessive retraining include training quality, lack of follow-through practice, and poor role definition at the outset.

Meridian Point of Experience #3

An ERP implementation can experience from 400 to >1,000 logged problems during Stabilization. Total problems logged grow far faster than your ability to resolve them. Problem closure requires months, not weeks of effort.



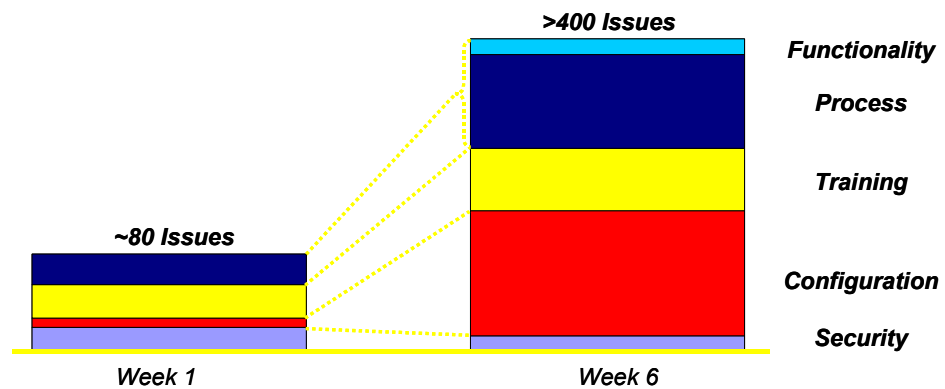
Implications

- You need to manage expectations that there will be some volume of problems.
- You need to set standards and achieve consistency in how you define problems.
- You need to recognize that the project team will be busy for an extended period of time (no one can fix the problems faster, fast roll-offs are therefore not practical).
- The handoffs from the project team to the competency center and competency center staffing and ability are critical issues.

Meridian Point of Experience #4

The mix of problems changes over time.

- Process, Training, and Security issues dominate immediately following Go Live.
- Over time, configuration and process issues emerge (and typically dominate the mix for a significant period of time).
- Functionality requests (for new functionality and especially reports) emerge throughout the Stabilization period.



Implications

- The business **MUST** be involved in problem resolution, especially in the areas of process, training, and roles, on a full-time basis following Go Live.
- The quality of the documentation completed during the project grows in importance each day following Go Live.
- You, like very other ERP implementation, will substantially re-engineer parts of your processes following Go Live (prepare accordingly).

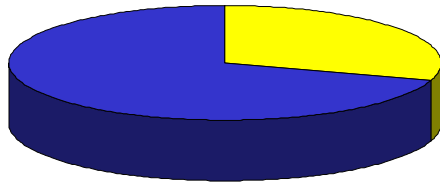
Meridian Point of Experience #5

Your Post Go Live ‘To Do’ list is usually longer than expected.

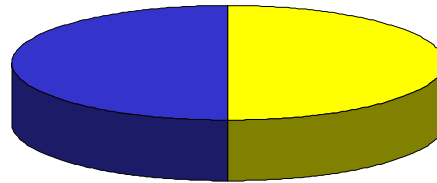
In one case, an organization identified 30 additional projects that they thought should be implemented within six months of Go Live. Of the 30 projects:

- Only 30% were identified prior to Go Live (and therefore budgeted).
- 50% were considered large (>1 month, >1 FTE) in scope.

% Budgeted Before Go Live



% Large In Scope



Implications

- You must have and follow a process for identifying, prioritizing, and chartering enhancements and ‘next projects.’
- The Steering Committee sets priorities, not the team or the competency center.
- The Steering Committee must manage expectations around what will happen next.

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Summary Thoughts

Surviving The Immediate Post Go Live Experience

- You need to manage expectations that there will be some volume of problems.
- You need to set standards and achieve consistency in how you define problems.
- The sheer number and velocity of problems can create the misperception that the implementation is ‘out of control.’ The Steering Committee and the project team must aggressively manage these misperceptions.
- You must have and follow two well-documented process:
 1. A process for finding, logging, and addressing things that don’t work.
 2. A process for finding, logging, validating, and scheduling requests for changes and improvements.
- You need to recognize that the project team will be busy for an extended period of time (fast roll-offs are not practical).
- The handoffs from the project team to the competency center and competency center staffing/competency are critical issues.
- The business **MUST** be involved in problem resolution, especially in the areas of process, training, and roles, on a full-time basis following Go Live.
- The quality of the documentation completed during the project grows in importance each day following Go Live.
- You, like very other ERP implementation, will substantially re-engineer parts of your processes following Go Live (prepare accordingly).
- The Steering Committee sets priorities, not the team or the competency center.
- The Steering Committee must manage expectations around what will happen next.



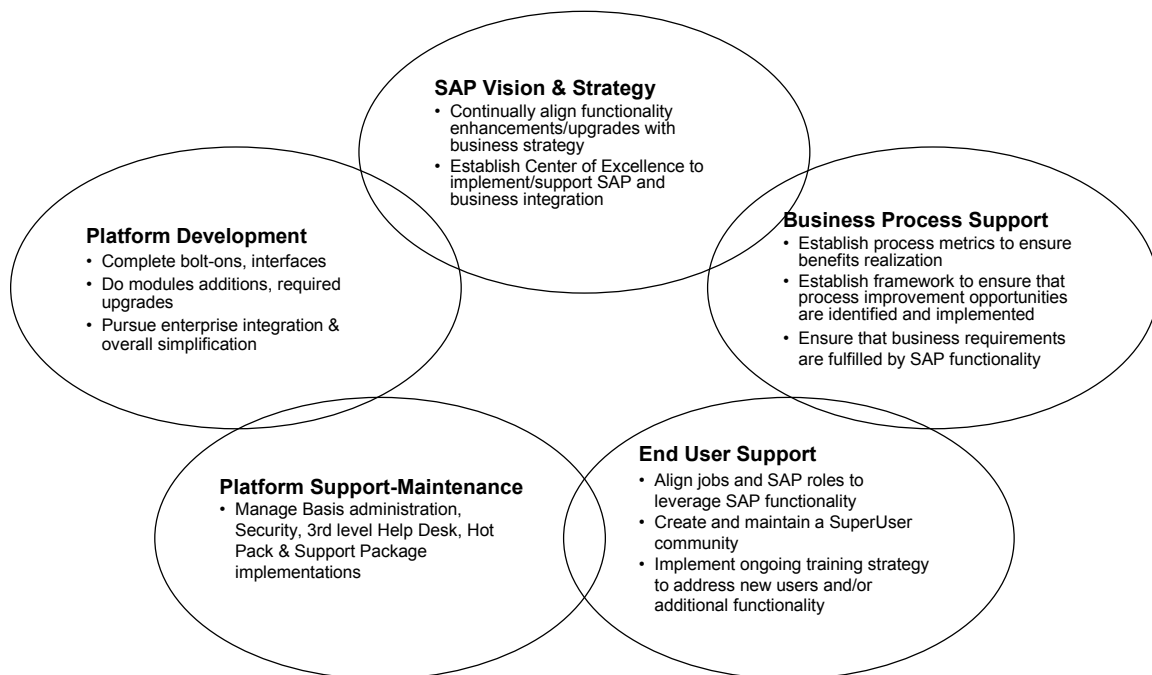
Supporting

An ERP investment is an asset. And like every asset, your sustained return on asset is significantly shaped by your willingness and ability to maintain your asset.

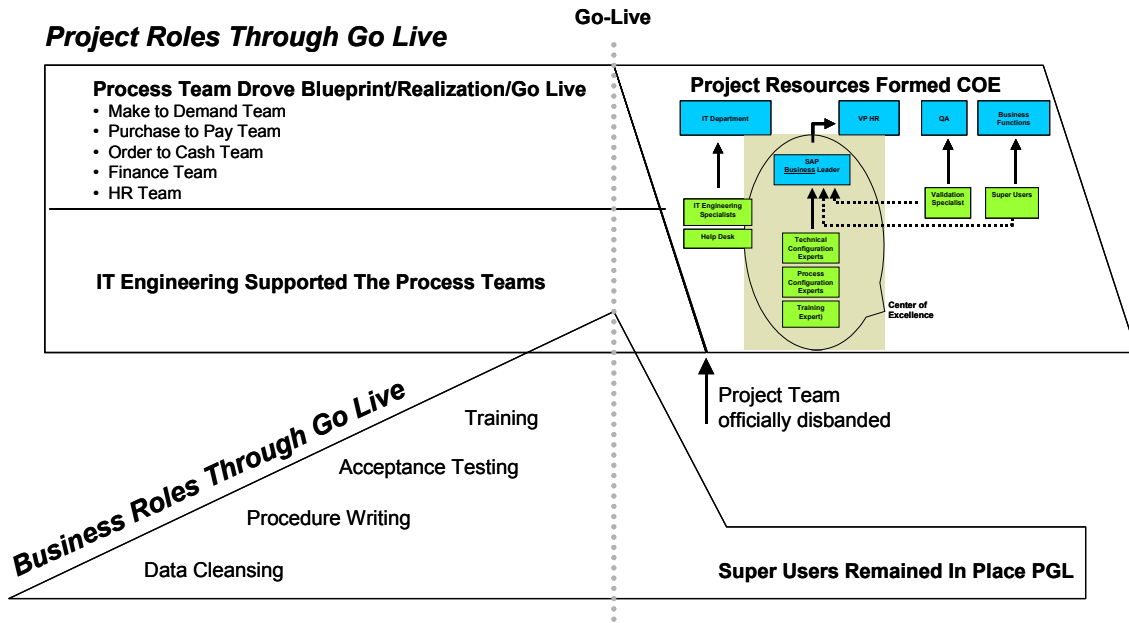
What does this mean for companies implementing ERP software? In the words of the legendary singing group The Carpenters, ‘You’ve Only Just Begun.’

Organizations increasingly understand that they must morph their project teams into some sort of Center of Excellence or Competency Center. But tremendous confusion follows this simple insight. We observe too many companies who are dissatisfied with their ERP investments precisely because of shortcomings in their Post Go Live support strategies, structures, and processes. And we believe that ERP vendors will lose their battles to ‘convert shelfware into seats’ for so long that Post Go Live support is inconsistently addressed.

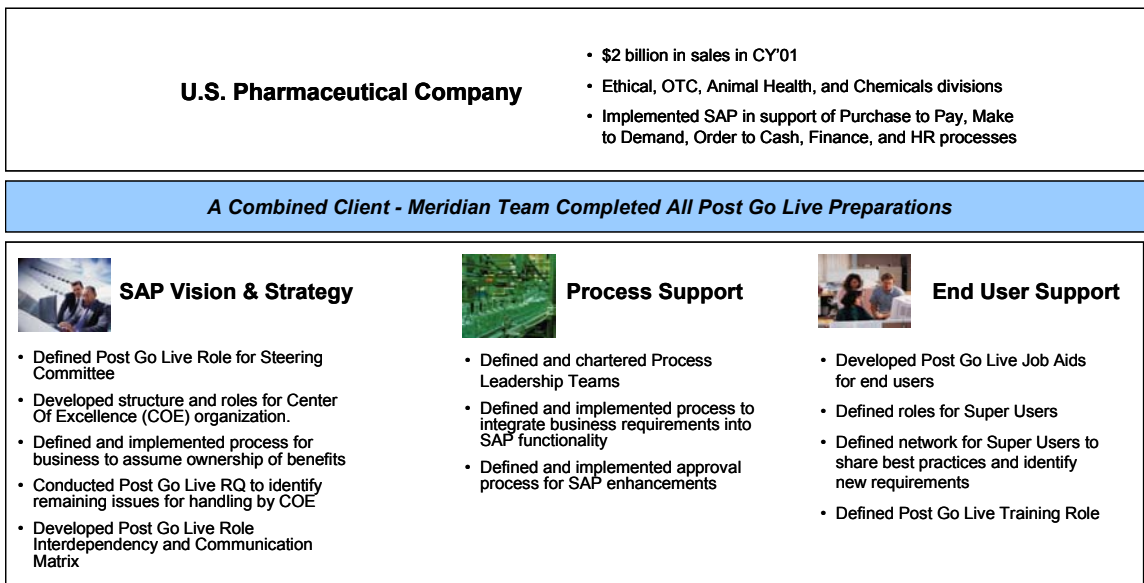
In response to these inconsistencies, Meridian uses a five-part model that summarizes ERP’s Post Go Live support imperatives.



The key to creating an ERP Center of Excellence lies in the successful movement of personnel, resources, and energies from the project team structure into an enduring support organization. The nature and timing of this critical shift is summarized in the following diagram.



While a detailed review of this model is beyond the scope of this whitepaper, a recent application of our Post Go Live Support model is provided in the following chart.





Gaining Value

You're live, you're surviving, and now your CEO wants to know:

'So what is our ERP really delivering?'

Begin with the facts. A Conference Board study of 186 firms implementing ERP worldwide noted the top five reasons firms chose to implement ERP. The reasons firms implemented ERP and the percent of firms who received expected benefits are summarized in the following table.

Reason For Implementing	Percent Receiving Benefit
#1. Standardize Company Processes	53%
#2. Reengineer Business Processes	51%
#3. Optimize Supply Chain	33%
#4. Increase Business Flexibility	42%
#5. Increase Productivity/Reduce	54%

Source: The Conference Board, Research Report 1217-98-RR, ERP Implementation: Strategies and Results.

One stark fact emerges. You're equally likely to win a hand of blackjack in Vegas as you are to 'break the bank' with ERP.

So what can our ERP investment really deliver?

Forget ROI. ROI misses too many of the benefits bestowed by a truly process-driven ERP implementation.

The real value of ERP lies in its ability to change work at the grass-roots level and, through these changes, to demonstrably increase your value delivered for each dollar spent.

ValueMetrics™

Meridian's ValueMetrics™ provides a rigorous, repeatable set of tools that are used to measure and improve the value delivered per dollar spent following an ERP implementation.

ValueMetrics is based on a proprietary work model that helps people at all levels of the organization consistently describe what they actually do.

We first use ValueMetrics to build a comprehensive task-level view of the organization's real work. We then use our 'Syntax Search Engine' to characterize each task as one of four types of work.

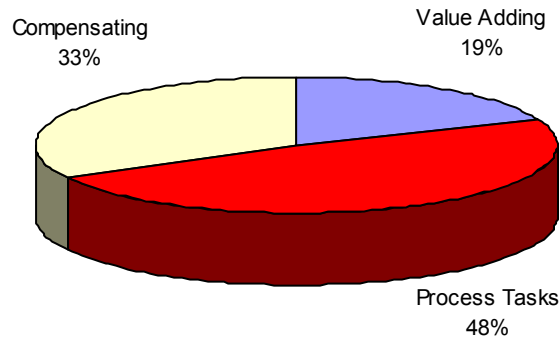
<p>Customer-Serving tasks entail physical, voice, or electronic interface(s) with a customer (i.e. someone who 'consumes' or derives value from your output). <i>Customer-serving tasks begin with words like respond, serve, reply, delivery, support.</i></p>	<p>Process tasks exist solely to mechanically move a process forward. They are usually devoted to creating and managing 'tangibles.' While <i>some</i> process tasks are needed, they do not add value. <i>Process tasks begin with words like compile, enter, move, stack, store, collate.</i></p>
<p>Value-Adding tasks lead up to the customer interface, changing the inputs received so that they demonstrably enhance the quality, utility, or cost competitiveness of the end product or service to the customer. <i>Value-adding tasks begin with words like transform, enhance, connect, complete.</i></p>	<p>Compensating tasks compensate for something not being done right the first time. They do not add value and should be eliminated. <i>Compensating tasks begin with words like fix, repair, redo, inspect, check, reconcile.</i></p>

We then use ValueMetrics to substantially change the organization's day-to-day operations, helping our clients streamline value-added work, automate process work, and eliminate the non-value added work that encumbers the organization.

For example, we used ValueMetrics to help a Finance organization grow the value of their ERP investment. This finance organization implemented SAP R/3 software, including SAP FI (Finance) and CO (Control) modules. Their budget in the year SAP was implemented was \$42 million; over \$29 million was attributable to direct labor. Their budget one year after SAP was implemented was supposed to grow to \$50 million, with over \$35 million was attributable to direct labor

Using Meridian ValueMetrics program, we determined that only 19% of tasks completed by this organization following their ERP implementation were value-added. The remaining tasks were either non-value added "Process Tasks" or "Compensating Tasks."

The software was live, but clearly this organization was nowhere near where they needed to be relative to productivity and performance.



Organizations take on people and costs because they take on tasks. Eliminating non-value added tasks reduces the cash and capital consumed by the organization. Our team decreased CFO expenses by over \$1.5 million within six weeks by making Quick Hit changes in current processes and procedures. Quick Hit changes in processes and procedures typically *stop* the work that no longer makes sense, yet continues even after Go Live.

The team further decreased CFO expense by redesigning current processes and procedures so that these processes and procedures more directly leveraged the functionality delivered by SAP's FI/CO modules.

A subsequent measure of value delivered for dollar spent showed considerable improvements. Note that reductions in CFO expenses equal the sum of changes in the number of FTEs needed to accomplish the CFO mission plus economies gained from significantly streamlining CFO processes and procedures.

Case	Percent Reduction in Direct Expense¹	Percent Reduction in Total Expense²
Base Case	- 26%	- 18%
Stretch Case	- 35%	- 24%

¹ Direct expense equals fully-loaded labor costs.

² Total expenses represent all CFO costs.

Summary Thoughts

Gaining Value From Your ERP Investment

- The key to enhancing the business benefits gained from ERP lies in redesigning current processes and procedures so that these processes and procedures fully leverage the functionality promised by the ERP software.

- You need to start by measuring your value added for dollars spent. These measurements are the surest way to identify how you can better leverage ERP functionality and pinpoint the additional process work that is required subsequent to your Go Live point.

- Post Go Live productivity improvements of 20% can be achieved in most functional departments if the processes and procedures used within that department are truly made consistent with ERP functionality. These improvements will result from:
 - Changes in processes and procedures that determine labor productivity.

 - Changes in the number of Full-Time Equivalent (FTEs) needed to fulfill the department's mission.

 - Improved management of cash, fixed assets, and liabilities.



Final Thoughts

Meridian believes that an ERP's incalculable value is something we call 'option value'. Simply put, implementing an ERP creates options.

One client, for example, needed to overhaul their financials before they could set out on an acquisition program. Streamlined, automated financial processes were a prerequisite before spending buckets of shareholder capital on an acquisition that could quite literally choke the life out of the acquiring company.

And here's our favorite feature of options. They grow in value as their underlying market volatility grows.

We'll spare the math, but think of it this way. As uncertainty grows, the value of your options—your ability to move in more than one direction—grows proportionally.

ERP grows a company's options. A company can do more with streamlined, high-performing processes than they can with messy, inefficient manual processes.

So think of this: As market uncertainty grows—as the economy lurches up then down, as competitors line up to bash your products and services—the option value of your ERP investment also grows proportionally.

Our counsel: Act accordingly.

Author's Note

This paper was authored by Michael Connor, Meridian's founder and Managing Partner. Mike has twenty-one years of experience in the consulting industry, developing and leading programs in the areas of business strategy, marketing strategy, process improvement, and organizational change for clients that span nearly all sectors of the economy. He can be contacted at mconnor@meridian-us.com.

A Note About Meridian Consulting

Meridian Consulting helps clients build the infrastructure required to adapt to changing market and economic conditions. We lead the field in Implementation Management, a proprietary program that Meridian uses to plan, accelerate, and ensure Return on Investment from large-scale corporate transformation programs. We also deliver a proven Process Improvement program that uniquely and measurably increases the Economic Value of a company's core business processes. We are committed to providing lasting value to our clients, enjoying a five-year customer retention rate exceeding 80%. For more information, visit Meridian at www.meridian-us.com.