

HOW TO  
IDENTIFY  
WHEN YOUR  
ERP SYSTEM IS  
MIS-FIRING

&  
WHAT TO DO  
ABOUT IT



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# Introduction

## **Is a mis-firing ERP system holding back your business?**

The key objective of an ERP system is to drive up efficiencies and effectiveness in your business. It should drive business growth, business value and profitability. Ask yourself whether your ERP system is really delivering for your business on these fronts?

There are many, many examples of ERP failures. Most of the headlines tend to focus on implementation project failures – eye watering budget and timescale overruns. However, an ERP system could be implemented on time and to budget, but still be a failure. If it's not delivering business benefit and value to your business on an ongoing basis – then it's mis-firing. Or worse, failing.

So many companies fail to make the most of the considerable investment they've made in their ERP system. In this paper we highlight the warning signs that your ERP system is mis-firing and what to do about it.



# Chapter 1: Symptoms of a Failing ERP

There are several symptoms and warning signs that point to a failing ERP system.

Is it working for or against the business?

Is it providing a robust platform for business growth?

Are you working with it or around it?

  
Failure or  
Unknown  
**43%**



  
Quantifiable  
Success  
**57%**

Source: Panorama ERP Report 2016

# Symptoms of a Failing ERP



**Workarounds**  
Lack of buy in/use

**Poor Visibility**  
Lack of reliable, accessible data

**Disparate Systems**  
Lack of integration

**Misaligned to Business**  
Lack of flexibility

**Overly Customised**  
Lack of holistic implementation



# Symptoms of a Failing ERP

## Lack of Buy In > Workarounds

It is easy to understand why business leaders tend to focus on the technology and financial costs of an ERP project. However, employee buy in is arguably the single most essential element to achieving success and quantifiable ROI from ERP. If the system's not being used – what's the point of all that investment? So when workarounds start to creep in – take heed. There's often a tendency for workarounds to grow arms and legs. Finding ways to work outside the system, rather than with it, becomes the modus operandi. Even if it's not yet widespread – there can be significant cost of manual workarounds and loss of efficiencies.

## Poor Visibility > Lack of Accessible & Reliable Data

One of the key benefits of ERP is the end to end visibility of the business. It should deliver quickly accessible, reliable data which drives timely business decisions.

However, in most organisations there is a disproportionate amount of time spent 'battling' with the data rather than analysing and taking action from it. Far too much time is spent trying to find data, trying to consolidate data, trying to reconcile data – across disparate systems and spreadsheets (a direct result of those manual workarounds mentioned in the previous section). If your ERP system is overly complex, poorly defined and ineffectively used then the data quality, reliability and accessibility will be hampered.

# Symptoms of a Failing ERP

## **Disparate Systems > Lack of Integration**

If there are disparate systems across your organisation such as CRM, HR/Payroll, Warehouse Management for example, which are not integrated with your ERP then this will lead to silos of information and different versions of the truth. This in turn results in reduced visibility, reduced data quality, duplication of effort, impaired decision making and manual processes. This all adds up to inefficient and ineffective processes. Inefficiencies mean increased costs or reduced profit.


## **Misaligned with Business Needs > Lack of Flexibility**

We all know that the rate of change in businesses these days is rapid. It stands to reason therefore that if an ERP system is to support the ongoing needs of a business, then there is also a need to be able to change the system rapidly. There are often barriers to ongoing optimisation and alignment: vendor costs are prohibitive, lack of flexibility in the system, lack of agility within internal IT and business departments, lack of ongoing investment. But if the ERP system is out of kilter with your current business model and business needs, there are hidden costs which are often overlooked such as loss of competitive advantage, increased labour costs through inefficiencies and workarounds etc.

## **Over Customisation > Lack of Holistic Implementation**

Managing overly customised ERP systems is time consuming, inefficient and costly. Project implementation timescales and costs increase. Ongoing maintenance costs increase. Ongoing support becomes more difficult. Future system changes and upgrades become more difficult, costly and risky. So how does it happen? Taking a software-led rather than business-led approach to implementation often results in over customisation.





*“Without the subject-matter expertise that Optimum provided we would not have been able to improve both our operational performance as well as the use of the system.*

*We continue to reap benefits from this project through rolling the solution out to our other sites successfully.”*

**Mike Hartman**  
**Group Finance Director, Petainer**





## Chapter 2: How to Solve the Issues

Many of the problems outlined stem from the initial implementation project. So if you are undertaking or about to undertake an ERP system implementation or upgrade, then endeavour to address them from the start. That will save pain further down the line and drive out much higher value in your investment. However, some also stem from the after effects of getting the initial ERP implementation over the line and then stopping there – rather than a continuous improvement approach.

*"We can't solve problems by using the same kind of thinking we used when we created them"*  
**Albert Einstein**

**Here's an overview of how to solve each of the key issues we've outlined:**

### 1. Workarounds

User buy in and adoption starts with the implementation approach. Identify and involve the key influencers from each department from the outset of the project. They are the people that will provide you real, valuable insight into the existing systems and processes. They are also the people that will play a key role in achieving buy in from the rest of the work force. Having got that buy in from the start, it will have a long lasting effect and there will be the impetus to continue working in the system rather than around it.



# How to Solve the Issues

Beyond the initial implementation though, it requires an ongoing commitment to continuous improvement. This obviously requires ongoing investment and it also requires an organisation that is ready and able to implement changes. So if changes are required for people to do their jobs but there is a zero tolerance approach to further spend or there are bureaucratic hurdles to jump to get a change implemented: people will inevitably find a workaround and body swerve the formal route.

## 2. Poor Visibility

Starting with the implementation approach – drive for data quality and data management. Build this in to the implementation plan and build it in to the new ‘To Be’ processes. It takes a commitment to resourcing sufficiently, and it's an area that is often underestimated. Where the ERP system is already operational but the accessibility and reliability of the data is not optimum, then you need to go back to basics. It can take a fair amount of time and effort to clean up and unravel years of bad data practices. It's often difficult to get these projects funded, they're not sexy and it's often hard to see a tangible benefit. But, it inevitably pays dividends in the long run. There's very little point spending money on business intelligence tools and producing reports and KPIs, if they're built on bad data.

## 3. Disparate Systems

Integration should be a key aspect of your system selection process. Even if you don't have a requirement right now for integration with other business systems – you may do in the future and it can be severely limiting if it turns out to be complex or costly to integrate. So make a point of understanding the integration paths, established APIs or bespoke interface approaches etc of the solutions being considered.



# How to Solve the Issues

Whether you are adopting a single, integrated ERP system approach or a best of breed environment, integration still needs to be considered in your overall systems strategy up front. Also bear in mind that for established systems environments, often an integration project can drive further value out of your existing systems rather than whole scale change.

## 4. Misaligned with Business

Although this usually manifests itself well after the initial implementation period, it should be considered upfront even as part of the system selection. Understand any barriers to change for the future. That could be around vendor costs, vendor resources, system flexibility. It also goes back to that ongoing commitment and investment in the ERP system beyond the initial go live. Your business won't stay still, so neither can your system – it needs to be kept in line with your business practices otherwise you're sinking all that upfront investment.

## 5. Overly Customised

Taking a holistic approach to the implementation by considering People, Processes and Systems will avoid you ending up with an overly customised system. Driving the implementation with a business led approach rather than a software led approach. Strike a balance of where customisations are absolutely necessary or can be avoided, by taking a pragmatic, value driven approach to the solution. Consider time and cost implications and drive for standardisation.

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**We developed the Optimum Improvement Framework to implement and optimise ERP systems successfully. We tailor it to suit the specific project requirements.**



# Optimum Improvement Framework

## Stage

## Objective

Situational  
Analysis

Understand the internal and external issues you are currently facing

Value  
Discovery

Map your business processes to value drivers and perform initial benchmarking

Value  
Engineering

Engineer the optimum solution to delivery tangible value driver improvements

Implement  
Solution

Successfully implement the people, process and system elements of the solution

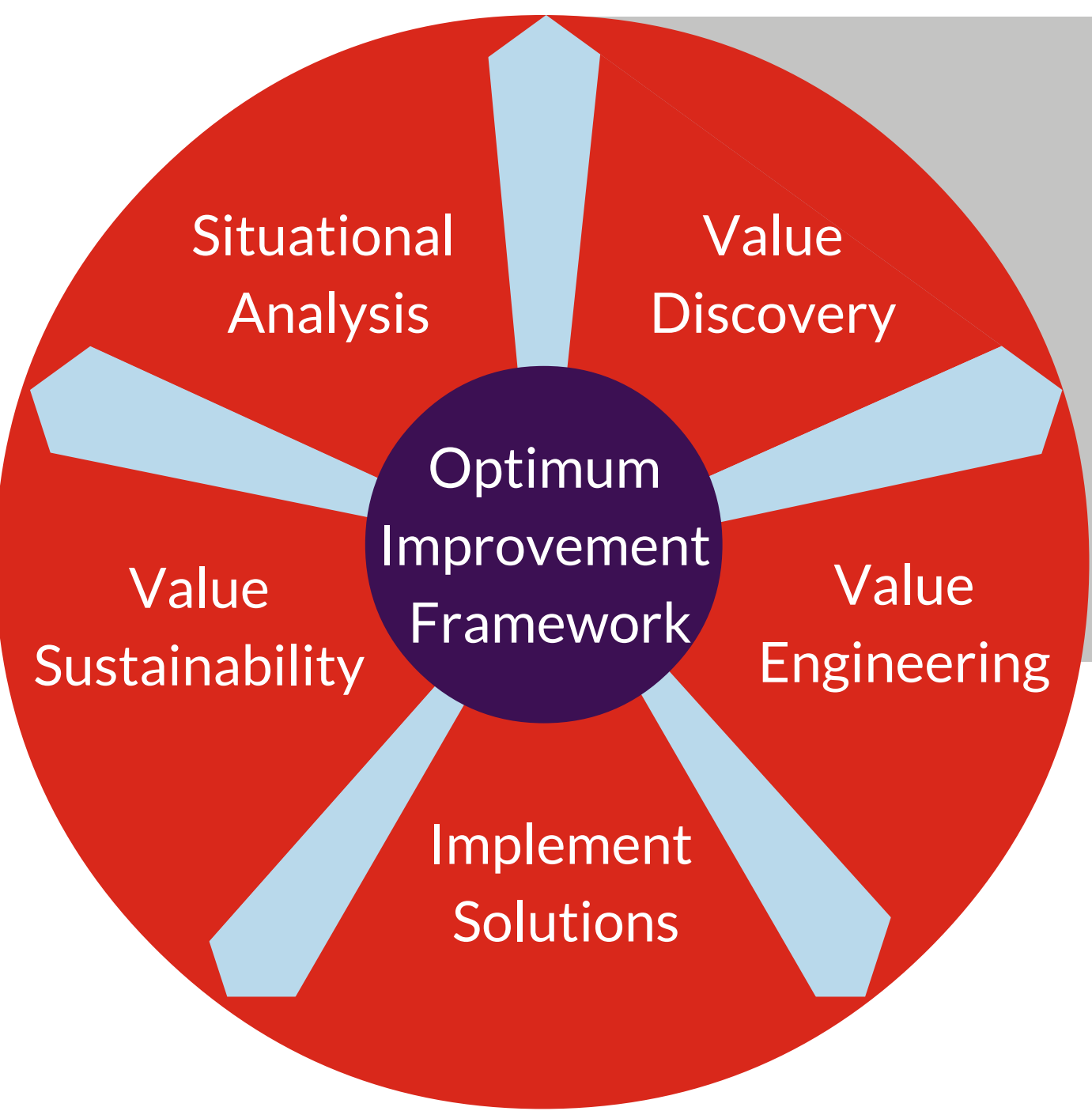
Value  
Sustainability

Ensure the solution continues to deliver and search for further improvements



# How to Solve the Issues

All system change or optimisation projects require a holistic, in depth analytical approach to achieve success. You can use the proven Optimum Improvement Framework to provide a synthesis of the issues you are currently facing, confirm alignment of strategic objectives and initiatives as well as determine the key areas for leveraging increased value. This can then be utilised to engineer a solution that will incorporate your people, processes and systems to ensure the full ERP solution is sustainable and continuously improving.



Continually applying this framework when future business change opportunities arise will ensure the continued success of the initial ERP implementation

*"Optimum PPS' knowledge and understanding of how our business works and interacts with our ERP software is exceptional"*

**Stephen Sheen**  
**IT Manager, Trox UK**





# Chapter 3: Benefits and Quantifiables

**There are many benefits of a successfully implemented and optimised ERP system, but they generally fall into 4 key categories:**

**Cost Reduction**

**Margin Impact on Revenue**

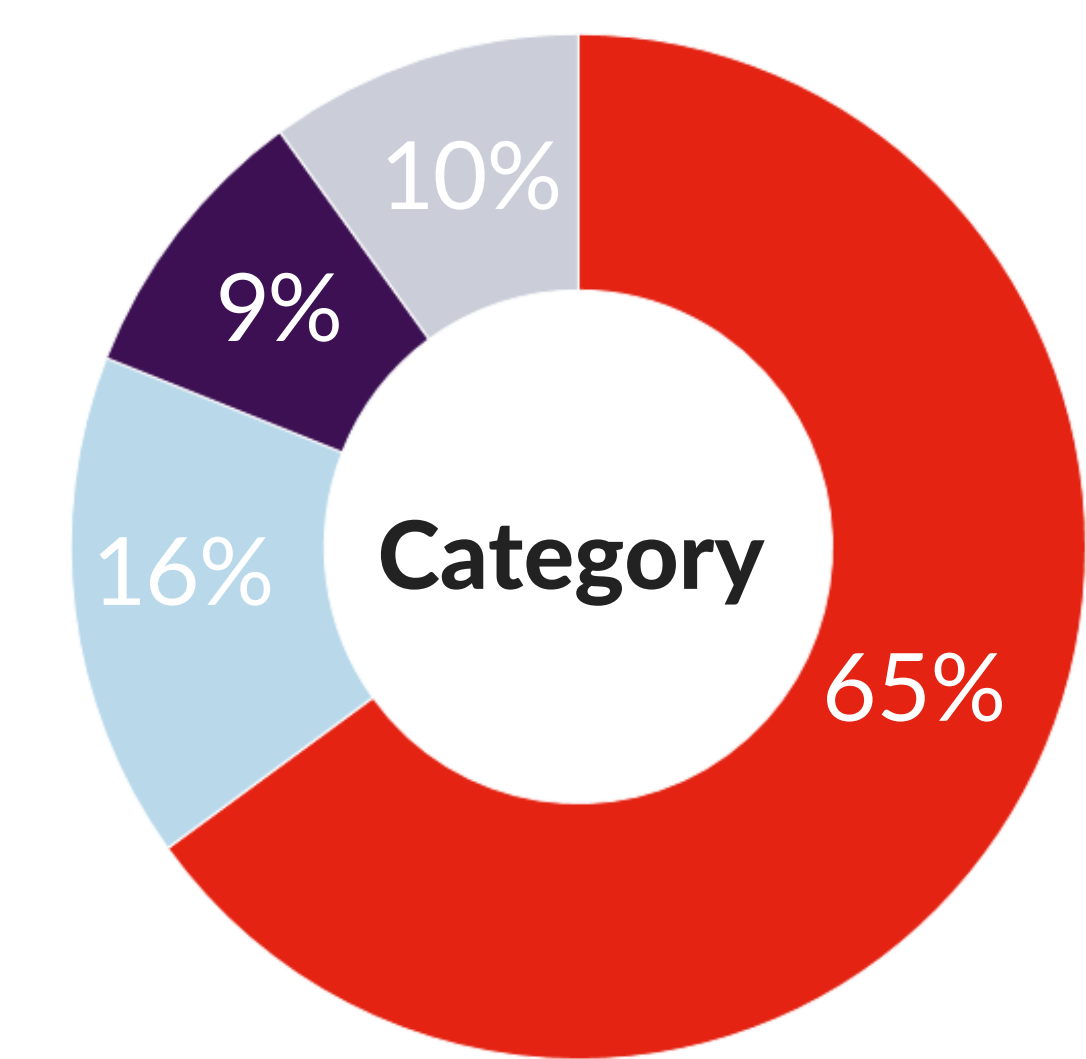
**Productivity Improvement**

**Reduction in Working Capital**



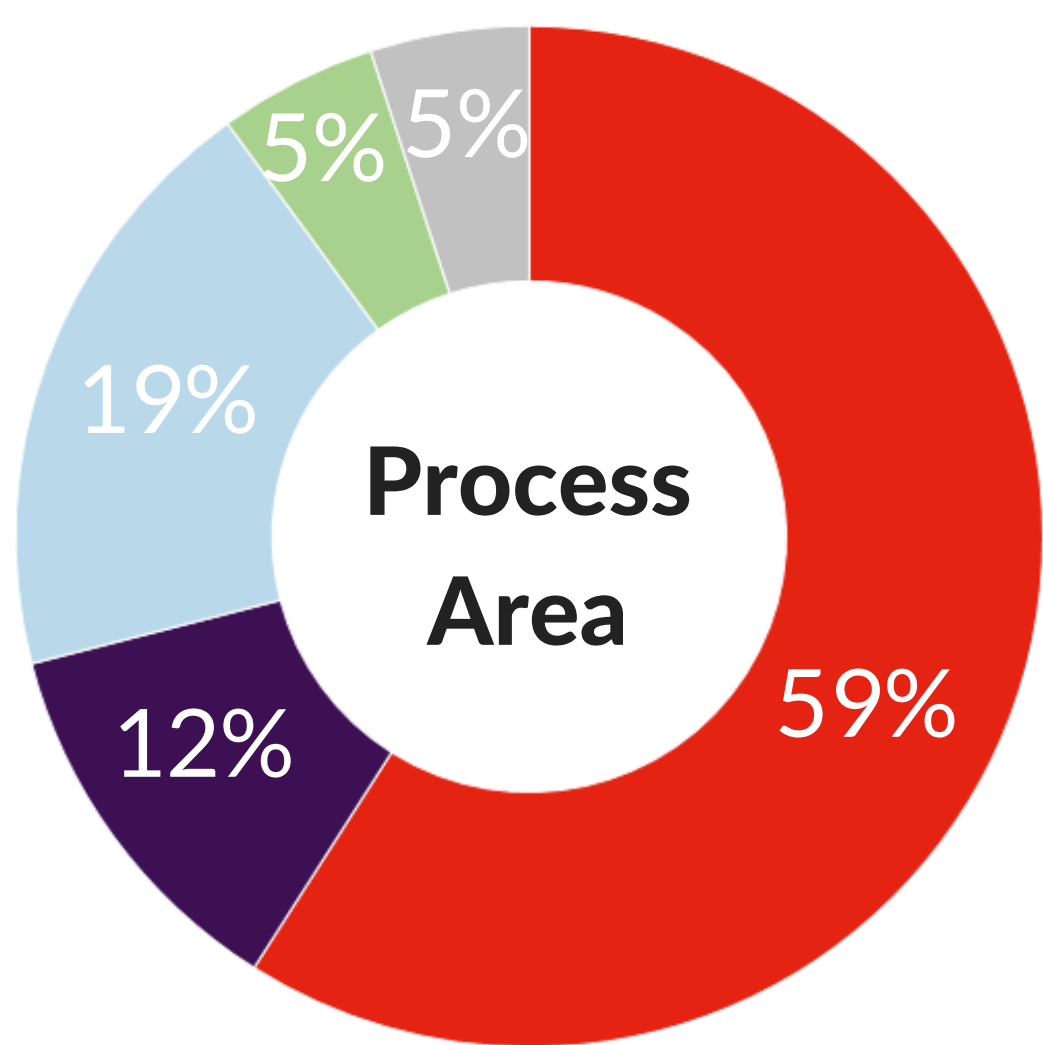
# Benefits and Quantifiabiles

A critical part of the ERP journey is to drive out the quantifiable business value and financial benefits for your company. We do that through our Value Discovery and Benefit Analysis process. We tend to find the following sort of splits across category and process area:



- Cost Reduction
- Reduced Working Capital
- Productivity
- Margin Impact on Revenue

65% of business value is through cost reduction



- Manufacturing
- IT Cloud Deployment
- Supply Chain
- Procurement
- Finance

83% of business value is within Supply Chain, Procurement and Manufacturing



# Benefits and Quantifiables

Having carried out your benefits analysis, this should then guide and inform the implementation planning and delivery. Measuring against benefits delivery through the implementation phase should be just as important as measuring against time and cost. Otherwise, you will end up with a mis-firing ERP system. And a mis-firing ERP system will be a drag on your business.



*"The input from the Optimum team was invaluable for getting us back on track and that intervention really was the key to our subsequently successful ERP implementation."*

**Mike Holdsworth,  
Finance Director, Noble Foods**



•  
**optimum**  
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Optimum PPS are ERP specialists.

All of our ERP consultancy services are built around leveraging the full potential of ERP systems – driving business growth, business value and profitability.

We are all about ensuring successful ERP implementations for our clients.

**Enabling effective change.**

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**Request An ERP Health Check**