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Successful Implementation of ERP Systems

A Handbook for Agile Management

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Cover, illustration: Friedrich Wilhelm Espeter

Translation: Friedrich Wilhelm Espeter with support of Barbara Wilkens (Thanks a lot!)

Graphics: Carl David Espeter

ISBN Hardcover: 978-3-347-68900-8

Printing and distribution on behalf of the author:

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PREFACE

Who is this book aimed at?

The book is primarily written for at employees of companies who have responsibility for implementing new software, but also for system consultants who have extensive knowledge of the relevant software modules but no experience of how to successfully carry out a system implementation in its entirety.

Why the book?

Implementing business software is no secret, nor is it witchcraft. For more than 40 years, software systems have been standard in accounting and business management. Standard IT systems have been implemented and used for just as long. However, the question arises as to why these implementations are still so costly, so fraught full of risk, and how these risks can be reduced. This book aims to provide answers to these questions.

What is included in the book?

Looking at the whole life cycle of a system, the implementation phase is in between the evaluation phase, the utilization/optimization phase and the deactivation phase.

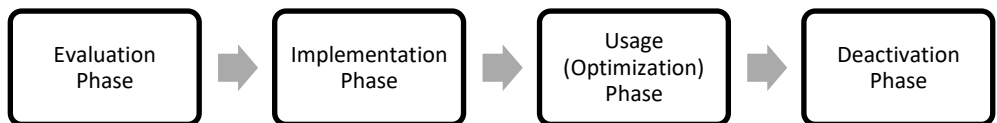


Figure 1: Life cycle of a software system

The focus of the book is on the first two phases, i.e., evaluation and implementation. The usage and deactivation phases are covered only in relation to the other two phases.

What is the book based on?

The methodological approach presented here is based on the author's 25 years of experience in implementing ERP software. The methods Triton Target of the former company Baan, AIM for Business Flows of Oracle and the spiral model developed by Barry W. Boehm have been incorporated.

What is not included in the book?

- A scientific treatise on process models and methods
- A detailed description: "What is ERP?"
- A complete project management method
- Functional concepts
- Development projects, i.e. projects in which primarily software is created

How should one read the book?

The author is aware of the fact that non-fiction and technical books are rarely read from the beginning to the end, so here is a quick note:

If one wants to deal with implementation methods only theoretically, chapters 1, "Introduction", and 2, "The Implementation Method at a Glance", are recommended.

If you want to go beyond that, i.e. if you are responsible for an implementation, then Chapter 3, "The Project," should be added to your reading.

Part 2, "The Work Packages" should be read by the project manager; beyond that, it serves primarily as a reference work.



PART 1

METHOD BASED APPROACH



1

INTRODUCTION

A new Enterprise Resource Planning (ERP) system is to be introduced in your company - and you are in the process! This system is not just any system, it is "THE" IT system.

These are usually:

- the financial system with
- the general ledger,
- the sub-ledgers accounts receivable, accounts payable and fixed assets accounting
- the materials management system
- the customer management system/CRM
- the procurement system
- the order management system
- the production planning and control system
- wage and salary, payroll software
- personnel management systems

Not all these systems, such as “payroll”, are classically included in the term ERP, but the method presented here is also suitable for the implementation of such systems.

Introduction

We are talking here about the system that

- records,
- documents and
- supports

your company's business processes and value creation.

Recording and Documentation

The recording and the documentation of business management and value-adding processes is a core obligation of a company towards its owners and society (state, tax office ...). This has to be fulfilled by an ERP system.

Although value is created in the company, e.g. in production, by manufacturing new products, the manifestation/imaging of this value only occurs with a (stock) posting in the ERP system. This and all other bookings are periodically totaled and documented, e.g. in the month-end closing.

This is the most important aspect of an ERP system.

Supports

In addition, an ERP system is expected to provide support for business management and value-added processes, whether through planning or costing functions or by providing information to manage the company's processes. Sales statistics or material requirements planning could be mentioned here as an example.

1.1 A new system

Let's start with the necessity of a new system.

Why should a new system be introduced? The answers here are as varied as business life itself, yet the motivations can be grouped.

1.1.1 Business Necessity: Heading for New Shores

Young and old organizations often have the same problem:

The system used up to now no longer meets the business demands. This is the case in young companies due to rapid growth and changed processes, and in older, more mature organizations because the application is too inflexible or has too high operating costs due to old hardware and/or extensive customizations.

Challenge here: A new software is needed, and of course it should be able to do everything better!

1.1.2 Release Upgrades

It starts with the seemingly harmless information from your system supplier: "Your version is out of support_; you have to upgrade to a more current version."

The most frequent reaction to this is: "The software has been running smoothly for years and we rarely needed support anyway. Why not work with it in future."

This is a mistake!

If you consider the strong interconnection of hardware, operating systems and application software, this lingering and waiting is not advisable! A trivial failure and replacement of a simple network component can lead to a necessary operating system upgrade,

Introduction

which is then no longer compatible with the application software, which in turn leads to system downtime.

This is a risk you should not take with a mission-critical system!

Unfortunately, the insight into the necessity of an upgrade is often accompanied by the realization that the software version used in the company is so strongly adapted that an automatic upgrade with the tools of the system supplier is very rarely or only to a limited extent possible. This implies that not an "upgrade" but a new installation that is necessary.

This includes the advantage of cutting off old braids (functions, which are no longer needed, but the EDP system requires) and to use additional functions available in the new version, as for example the customer management system.

Challenge here: The new version should be better, of course, and the familiar processes must work as before.

1.1.3 Drop-ins

In the globalized world, companies are constantly being bought, consolidated and integrated - or sold. The integration of the affected company units often leads to processes having to be standardized and streamlined under pressure from the new "parent company". In the process, the business system to be used in the future is often specified, and this is not always the existing one.

The challenge here: The new system is pushed into the business unit. Optimal support for the business unit is secondary to the standardization of processes.

1.2 Implementing Business Software, What Needs to be Done?

The activities that need to be done during an ERP implementation can be categorized into two areas.

- changes to and in the software
- changes in the company

Both activities require resources and therefore have an impact on the costs of the implementation and on the resulting operating costs.

It is important to understand that the implementation project always includes both areas and a successful project is characterized by having found the right balance here.

1.2.1 Change to the Software

Let's start with the less complex part, the software. The activities concerning the software can be summarized roughly into 2 groups,

- the configuration, thus the setting of the functionality and
- the customizations (reports, documents, interfaces, functions).

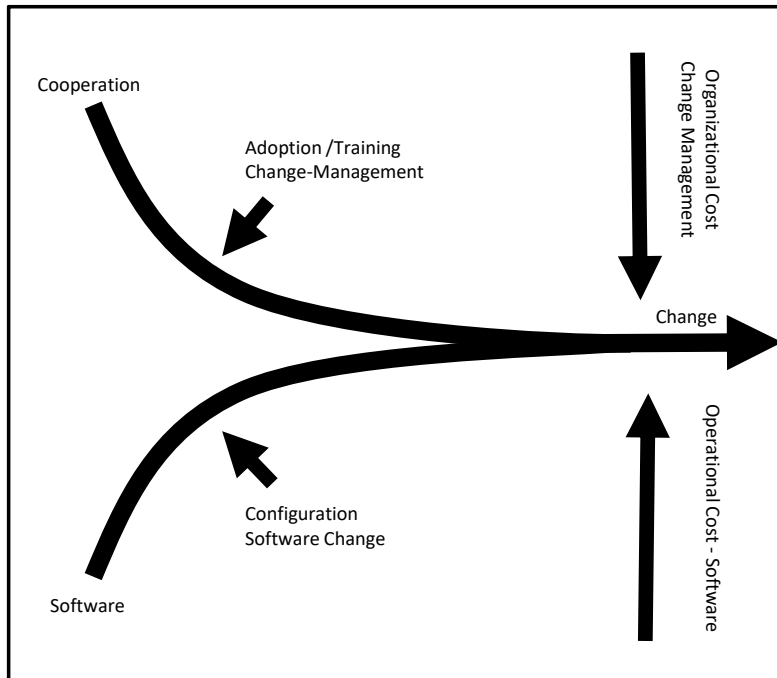


Figure 2:Change process

These activities are usually low risk if the requirements are correctly recorded by experienced consultants. If there is an explosion of costs here or deadlines cannot be met, this is usually a sign that the right balance has not been struck between the changes to the