



An Exact Whitepaper

Top 10 Steps to Higher Profits and Easier ERP Implementations

Meeting the Unique Needs of the Growing Small and Medium-Sized
Manufacturing Business Markets

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When it comes to software implementations, organizations large and small share the common goal of rapid deployment and a fast return on investment.

Whether a business is motivated by changing customer requirements, moving into new market segments or a desire to grow, ERP and manufacturing tools are designed to actively help to drive that change. These tools should help plan for the future and identify business opportunities ahead, while simultaneously handling all the daily pressures of a manufacturing operation without a hitch.

By following some fundamental concepts, smaller companies can make technology investments pay off with little disruption to the business. Read on to learn how small to medium-sized businesses (SMBs) in manufacturing can take 10 steps toward easier ERP implementations and better profits.

Step 1: Conduct a Needs Analysis

Determining the needs of operations, sales, marketing and finance departments, how they fit into the strategic objectives and budgets, and applying that knowledge to the decision-making process is the first step in choosing and implementing a successful ERP manufacturing software solution.

Many small companies often neglect to gain an understanding of their own internal workflow and processes prior to implementing a major new technology that involves many facets of a business. Knowledge of how and why things are done throughout a business makes the process of moving these manufacturing jobs into an ERP system simpler, quicker and more effective.

Step 2: Choose the Technology Today that Will Grow Tomorrow

The most obvious and tangible means to a successful ERP implementation is selecting the right manufacturing solution from the outset. Whether the environment is make-to-stock, make-to-order, assemble-to-order or mixed mode manufacturing, a solution must be flexible and respond quickly to changing circumstances. Just as customers expect the delivery of quality products on time, businesses must expect technology to continuously improve time-to-market speed while cutting costs.

One problem that SMBs experience with packaged solutions is that the technology is not geared to the size and scope of their business. Scalability can be an issue, even with SMB-specific solutions that are designed as subsets of their larger corporate counterparts. Applications originally designed to meet the needs of those large-scale companies have built-in capabilities and complex features that a small to mid-sized firm may never need. A wise approach is to look for proven solutions built and scaled to meet specific SMB needs, which have the flexibility to upgrade and expand as manufacturing business needs change and grow.

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Step 3: Don't Let Others Confuse SMB Needs with Those of the Enterprise

Software vendors and systems integrators who service the Fortune 1000 are accustomed to serving the needs of an equally large customer base. Each might have effective implementation methodologies as practiced by their clients; however, those same practices can be time consuming, overwhelming and costly to smaller companies. This type of protracted implementation reaches far beyond the needs and budgets of smaller organizations.

A small or mid-sized business benefits from implementing a solution in a typically shorter time frame than a larger business, whether the implementation is done in partnership with the software vendor, reseller or an independent integrator. Although the general framework will be similar to that used in large implementations, each element is more simplified, providing that the right software package has been selected. Many software providers offer rapid implementation tools and sample templates more suited to SMBs that enable fast, easy configuration without customized code, thus accelerating execution and ROI.



Step 4: Proper Planning Prevents Poor Performance

Most SMBs do not have an IT department, and in fact, a single employee may fill the role, possibly in tandem with another position in the company. Additionally, those who define the plan and oversee implementation might also very well be the users after the system is installed. This centralization of intellectual capital, although expediting, can become an obstacle to fostering ideas or communicating issues. Given this scenario, it is essential to establish open and ongoing communication from inception to completion between all parties, including management, business partners and/or integrators, system users and the software vendor. The time spent helping employees of small companies understand the magnitude of such an undertaking, the reasons for the initiative and the benefits expected can mean the difference between cooperation and conflict, enthusiasm and resentment, success and failure. This issue is especially true of long-term employees. Users moving from older, yet familiar, legacy systems or popular, off-the-shelf packages such as Microsoft Excel may need to gain the understanding that standard manufacturing software is not a plug-and-play solution. ERP solutions are typically configured to the business and its processes, and usually require training. If this point is established early in the planning phase, users are likely to exhibit more patience and perseverance.

An experienced consulting partner who can act as facilitator and mediator throughout the rigors of implementation can be a useful mechanism to achieving a fluid design, implementation and roll-out process.

Step 5: Gain the Commitment of All Key Stakeholders

Even with the commitment of management and buy-in of users as a key element of any successful implementation, a large portion of the overall execution responsibility will fall to the software vendor and/or implementation partner. The trend among companies today is to ask for an integrator or vendor's guarantee of a successful implementation, even linking compensation with guaranteed results. The trend is commendable—as long as the buyer doesn't abdicate

too much responsibility. Since personnel resources are already stretched, it is tempting to allocate most of the accountability to the vendor; however, this can be shortsighted. To ensure better long-term success, direct involvement with planning and execution with any third party is required. As a part of resource allocation during planning, the company management or project steering committee should assess project resource timelines, and then commit sufficient staff to be a part of the process throughout its entirety. Ultimately, project involvement means having an internal knowledge base of information from start to finish.

Step 6: Overcome the Fear Factor

A new ERP system signifies an adjustment in virtually everything familiar in a business's day-to-day operations: how information appears, is entered and accessed, how reports look and insecurity about job performance within a new environment. The onboarding of resistant staff can often become an obstacle to a smooth technology transition.

The desire to cling to "tried-and-true" methods and to have doubt about change is normal, and managing apprehension or uncertainty is a task best performed by leaders who possess change management and project management skills. Backed by the proactive assistance of management, project managers must attend to and defuse political issues and cultural problems in order to involve users in the implementation process. Inclusion of all users during the planning process alleviates resistance down the road and facilitates participation and creative input. Then, once it becomes demonstrable that new technology will make many operations and tasks easier, many employees buy in to the initiatives and become enthusiastic supporters.

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Step 7: Build a New Business/Manufacturing Model

The business process modeling phase is typically the longest, most difficult aspect of an enterprise solution implementation, and is the most critical to achieving success. It is important that SMBs believe in this concept.

Off-the-shelf software solutions don't require modeling – such technologies mean simply installing, entering data and running them. On the other hand, with enterprise applications, operating the technology can be disastrous if companies do not accurately model the business process flow. While certain business functions (sales, finance, personnel and product management) may be similar across companies, the ways they are accomplished often differ. When building a new business model, it makes sense to choose the processes and templates that most closely align with the business. Companies lacking experience in process definition should expect to be able to turn to the technology partner for recommendations based on their partner's experience with industry best practices; partners need to be prepared to assist in aligning processes and provide multiple options in designing and defining business process models.

The challenge for companies is to take the time required to model business processes, develop a pilot, perform parallel testing, make adjustments and resist going live until all processes function smoothly and without error. This includes allowing a modicum of leeway time to allow for repeated fine-tuning, which can take weeks or even months. Accounting for this necessity upfront will lessen the work on the backend.

Step 8: Make It Right the First Time

The good news is that small companies typically don't have as much data to contend with as their larger counterparts. The downside is that corporate data, regardless of company size, is seldom organized in one repository to afford streamlined conversion. In many cases, business processes are performed manually, and current and historical data – which might reside in home-grown or proprietary enterprise systems, or in a series of disparate functional applications – all need to be included in any new system. It is important that the

information be extracted, cleansed and converted, and ample time allotted for these tasks if the new technology is to use the corporate data effectively. The adage “bad data in, bad data out” couldn't apply more directly than to building a new business system. If the information brought from the old environments is inaccurate in any way, the new system will not be any better, and vast amounts of time and money will be required to repair it.

Step 9: Factor in Training and Technical Support

It is imperative that both training and technical support are a part of the overall implementation budget, especially in small companies that lack internal IT resources. ERP is not just a back-office application or a manufacturing and distribution tool. It is a business information system that will alter the way the company operates. Whether training is held in formal classroom sessions or online, it is important not to shortchange this component.

Adequate training of a new system pays huge dividends in maximizing utilization of its features and functionality, as well as a high level of comfort and confidence on the part of users. Training is most effective when executed prior to implementation completion, so that users continue to be a part of the ongoing process, can verbalize issues during implementation and most importantly, are savvy in system use at rollout time.

Technical support at rollout and post-implementation is critical in ensuring that the new technology is working as expected. No matter how thorough the training and careful the preparation, there is a learning curve for everyone. Vendor or integrator partners can provide the necessary assistance needed when users perform tasks for the first time.

Step 10: Prepare for Exceptions

Regardless of how simple or complex a chosen ERP solution is, it must be able to seamlessly manage manufacturing exceptions that go against the typical business rules. For example, can the company factor in a late shipment of raw materials into its ERP system without throwing the whole project off? If a customer cancels an order, can the company quickly



communicate that to everyone who needs to know using the manufacturing software? The faster an issue can be addressed or a team refocused by using a newly-implemented ERP system, the more time and money a company will ultimately save.

Conclusion

The decision to invest in a business software solution to best manage a company's resources is driven by the need to increase profitability and be prepared for change—whether that change is growth of the company or the ability to better serve customers' changing requirements. Although a major commitment

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of resources, time and money, the implementation of ERP manufacturing solutions in SMBs is a worthwhile endeavor if carried out thoughtfully. Greater productivity and capacity, more efficient workflow, a reduction in lead times and inventory expenses, ability to manage exceptions, lower operating expenses, higher employee satisfaction and improved customer service have the furthest-reaching and most long-term results.

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