

A COMPLETE GUIDE TO PERFORMING A READINESS ASSESSMENT



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HOW TO EVALUATE IF YOUR COMPANY NEEDS A NEW ERP SOLUTION

A BRIEF INTRODUCTION: *Why use this guide?*

HOW DO YOU PROMOTE FUTURE GROWTH WHILE ATTENDING TO THE CHALLENGES OF TODAY?

No matter how big or small your organization, or where you're located, innovation catalyzes growth—that's true for any company. But before innovation can occur, your organization must be ready to accept and prepare for change. And along the way, that often means adapting existing processes and technology infrastructure.

TO OPEN THE DOOR TO INNOVATION DRIVEN BY TECHNOLOGY, MANAGING CHANGE IS CRUCIAL

New technology is reshaping the world as we know it. To keep up, it's essential to apply industry experience and technological know-how to improve operational excellence, manage change and enable growth. This experience, coupled with the flexibility and design of the right ERP platform, helps companies build solutions to support their operational priorities—and not the other way around.

WHAT ISSUES NEED TO BE RESOLVED FOR TOTAL ERP SUCCESS?

Streamlined processes and total visibility into operations are key to gaining the efficiency and business insight you need to survive. But the systems and processes you choose should support and align with major business initiatives, like new product launches and global expansion. Where are your current systems holding you back?

ARE YOU READY FOR AN ERP SOLUTION? WHAT RED FLAGS AND READINESS INDICATORS EXIST?

ERP implementation takes commitment. The right conditions must be present in order to ensure success. Completing a detailed ERP readiness assessment allows organizations to take a deeper look at factors and considerations that relate to implementation success. In addition, this tool will play a role in identifying areas of concern relating to the current state of your business and help you shape innovation as you adapt systems and technology to reach a stronger, more efficient future state.

Use this e-book to determine which gaps a new ERP system will close, and how to effectively navigate change management on the path to total efficiency and profitability. We'll review ERP needs indicators, dimensions and factors, and deliver a step-by-step guide to conducting a preliminary ERP readiness assessment within your organization.

1 8 COMMON ERP NEEDS INDICATORS

Prior to implementation, an ERP readiness assessment is crucial. But where do you start? It's important to recognize the tell-tale signs that your organization has outgrown its current systems. **Here are eight common scenarios that indicate a need for change.**

1. LACK OF VISIBILITY

Before adopting a comprehensive ERP solution, many companies notice a few themes such as a general lack of control and poor real-time reporting on financials. They begin to face problems automatically managing processes like:

- Market accruals
- Market pricing
- Accountability reporting
- Class and component structure changes
- Receipt and batch prepayment
- Final settlement processing
- Payroll

Or they have difficulty accessing real-time data and reporting on orders, inventory, production and delivery from various points in their supply chain operations. They may face challenges accessing critical company performance data, or managing key activities and preferences (such as promotions, payroll and customer feedback) to successfully compete in chosen markets.

2. ACQUIRING NEW AND BIGGER BUSINESS

Most of us dream of landing that multimillion-dollar client, like WalMart. But a dream can quickly turn into a nightmare when disparate and obsolete systems get in the way of production, orders and fulfillment. Let's say you're using outdated manual methods—such as spreadsheets and whiteboards—to handle production processes like scaling, scheduling, balancing and batching operations. That's one version of the truth. When it counts, can you pull critical information from one, up-to-date database?

Or maybe you're using spreadsheets to manage inventory reclassification—such as class and components—quality control and recalls. Disparate systems that don't meet operational needs stall your organization's opportunity for growth, high performance and profitability.

If your organization needed to handle a recall, could you respond swiftly, or might you end up with a PR disaster on your hands?



3. ADDING MADE-TO-ORDER MANUFACTURING

Without customers, you don't have a business. If you're unable to meet their needs without a complete operational overhaul, how can you run a profitable and efficient organization?

In Henry Ford's day, a black car was your one and only option. Nowadays, customers demand an unprecedented level of customization. Do you have the ability to quickly and effectively alter your product or service offering? Are you able to change your system configuration rules—for promotions and features—on the fly to respond to market trends? If you've paved a channel to sell direct, you may be feeling the pinch when it comes to these adaptations.

4. GLOBAL EXPANSION AND GEOGRAPHY

In the past, North American companies did business in one currency and one language. But times have changed—globalization is ubiquitous, and often needed to compete.

If you only need to update data in one place, one person on your team can handle that. But if you're operating in multiple countries—and need more detail—you'll need the system functionality to match. Let's say you open up multiple production or distribution centers in various locations around the world, like China or Japan. In response, your organization ramps up its workforce, production and processes to respond to shifting demands. Will operating numerous, disparate systems and databases impair visibility into your enterprise?

Maybe you've acquired international components

- Will you be able to translate functions in multiple languages? What about international currency?
- Will your organization have the capacity to synthesize global obligations, from multiple tax laws to localization requirements?
- When it comes to international requirements, can your current systems support multiline order totals and multiple sources of data for calculation?
- What about tax laws, authorities and criteria?

If your current systems don't facilitate multilevel rules, you could find yourself in hot water.

5. SCALING BUSINESS AND OPERATIONS

At a certain stage of business, smaller organizations reach a tipping point in growth. If your organization doubles in size, end-of-life software and systems become a problem.

Some systems only allow so many databases before they become architecturally limited. Small organizations may be able to get by using second- or third-tier software and systems. But some software simply can't scale to accommodate multiple communities and servers. Growing companies need this capacity and the horsepower to match.

Your database and systems will need to support more transactions than before, and limitations could slow down or crash your systems. Businesses that aren't prepared risk falling into the "growth trap."

To avoid business and operational consequences, consider the limitations of your current systems:

- Do you have a sense of what your concurrent user threshold is? Have you tested for it?
- What about transaction volume and latency? How many are going in? Per day, per hour—combined with your database size—how many years of history are retained?
- Do you have a system in place to archive data?

You know what they say: "Planning is the key to success." And the right technology and systems are a crucial part of this equation. Has your organization outgrown its software?

6. SYSTEMS NO LONGER SUPPORTED

In today's competitive environment, businesses need to remain nimble and dynamic—you can't rely on archaic systems to handle crucial business and operational functions.

Disparate systems that no longer support your operations could negatively impact growth, performance and profitability. For example, let's say one of your vendors is transitioning to another tool for a key business process. You can upgrade to this other product, or change your systems altogether. Or maybe you had software that seemed to be working, but now it's out of support. If you want to make changes, you're out of luck—the system manufacturers have since moved on.

Having out-of-date systems is risky. Would you bet your job that you won't run into these situations as business evolves? Are you relying on archaic software that's out of support?

7. MERGERS AND ACQUISITIONS

Let's say your organization is acquired by another business. Along with new potential comes a unique set of challenges. To start, a merger or acquisition could mean the need to integrate more into your supply chain.

In other words, you'll need new functions and capabilities that weren't necessary before. You'll need to ensure that key business processes, such as transactions, are consistent. With new features and functions comes the need for more capable software and systems.

Here are a few factors to consider

- How much manual effort is involved in integration?
- When it comes to manual data extraction, will you need to format to a new system to sync up operations?
- Do you have a handle on your inventory across plants? Is low operational visibility causing inventory bottlenecks and poor decisions? How can you analyze and rectify this?
- Are business decisions being made to accommodate bad systems? If that's the case, it may be time for a change.

8. OTHER KEY BUSINESS EVENTS

Besides mergers and acquisitions, there are many other compelling events that change your organization's operational requirements. For example, maybe your organization's leadership has changed. Or you could be knee-deep in a divestment, with business breaking off into a few spin-off companies.

If your organization was a Fortune 500—and you're big enough to split up business—you need a system that can support your own needs without relying on previous infrastructure that no longer fits. In other words, it's key to operate autonomously and still be able to connect to the "mother ship" if needed. To communicate aggregated financials and data to the parent company, you'll also need consolidation features and highly flexible integration architecture.

② YOUR ORGANIZATION— 4 ERP READINESS DIMENSIONS AND FACTORS TO CONSIDER

Before seriously considering a full-scale ERP implementation, determine if the conditions are right. In this chapter, we'll dive deeper, asking the right questions to help you identify the current state of your organization and discuss how certain factors impact ERP readiness. We'll go over a few parameters like organizational context, business processes and integration, perception of ERP and external forces.

1. ORGANIZATIONAL CONTEXT—RESOURCES AND BUDGET

Before committing to a complete ERP implementation, it's crucial to be aware of the investment and set aside the suitable resources. For example, if personnel is thin on the implementation team, members may become exhausted with work and get sloppy—leading to missed deadlines, errors and inefficiency. Financial resources are another important, and crucial, factor to contemplate.

Budget factors to consider

- Does your organization have a budget set aside to see the implementation through?
- If resources ran out mid implementation, how would that negatively impact your organization?

Operational impact

- Where are you currently overspending on your operational management tools?
- How much are late deliveries costing you?
- Where are your gaps in ROI? Where is money flowing out of the pipe?
- Are you performing an excessive amount of upgrades and quick fixes yet your systems still keep failing? How does this slow you down?



Do suppliers
and vendors wish
to integrate with
you, but your
systems are too
outdated?

Procurement methods

For many organizations, accelerating and simplifying the purchasing process is key to maintaining positive client relationships. There are a myriad of factors that influence the procurement strategy, and the selection of the best method of procurement in any given situation. How well can your current systems manage the following requirements?

- Government contract regulations
- Financial administration
- Requirements of trade agreements
- Estimated dollar values
- Quantities required and commercial availability
- Source of supply
- Business incentive policy
- Land claim agreements and economic development initiatives
- Negotiated contracts

Procurement factors to consider

- Do your current systems facilitate easy modifications to satisfy unique, custom requirements?
- Do end-of-life systems get in the way of accelerating and simplifying procurement processes?
- Can your current systems handle complex functions—from drop shipments to purchasing forecasts—with ease?

2. BUSINESS PROCESSES AND INTEGRATION

It's an all-too-familiar scenario. An internal champion within an organization sees the need for a full ERP implementation, but this request for change is met with resistance.

Usually, this opposition stems from a lack of understanding about how ERP systems impact core business processes and operations.

Factors to consider

- Do certain employees within your organization defend systems that no longer fit operational needs?
- Is IT the only department that knows how to use your out-of-date systems?
- Can new staff access key information with the same ease as seasoned employees, granted the right permissions?
- How are incongruent systems causing information gaps and errors?

Operational considerations

- What are the specific information needs at the operational level for different functional areas?
- How will the proposed ERP system integrate with existing information systems?

3. PERCEPTION OF ERP

Implementing a state-of-the-art ERP system comes with inherent risks, but the risk of not implementing one is higher—disparate, end-of-life systems eat into already shrinking profitability and ROI.

Over time, outdated systems require maintenance fees. Streamlined processes and total visibility into operations are key to gaining the efficiency and business awareness you need to compete and thrive. With archaic and disjointed systems, you run the risk of poor business insight and uninformed decisions.

Perception factors to consider

- Are key decision-makers focused on long-term profitability versus short-sighted goals?
- Is a culture of change embraced in the organization? Or is it a "If it ain't broke, don't fix it" mentality?
- How can you highlight current areas of inefficiency and cost to make the business case for a full-scale ERP implementation? How will perceptions of operations and technology impact your organization's readiness?

4. EXTERNAL FORCES

Any good business is responsive to, and accountable for, customer interactions. And the market is dynamic, always changing and adapting. With current systems, can you quickly adjust and respond to market trends? How do your current systems impact supplier and vendor relations? How do you stack up to the competition?

Suppliers and vendors

- Is your system so ancient your suppliers and vendors are only willing to work with you if your company adopts a better system?
- Do suppliers and vendors wish to integrate with you, but your systems are too outdated? Are they looking for increased ERP support to streamline operations and improve your relationship?

Competitive factors

- How are your competitors using information technology to advance and streamline operations? How does this put your organization at risk?
- Can you stay competitive, and keep up with processing speed and price point?

3 CONDUCTING AN ERP ASSESSMENT USING THE 7S MODEL

This model assesses seven dimensions of ERP readiness, including: structure, strategy, systems, skills, style and culture, staff, and shared values and beliefs. In the following pages, we'll take a look at this 7S framework and how you can use it to assess the ERP readiness of your organization.

1. STRATEGY

Business vision and mission

Before a full-scale implementation is possible, everyone involved must be clear on the vision and mission of your business and understand the operational requirements that need to be in place to achieve it.

Goals and objectives

Before you're ready for an ERP system, it's important to get clear on your goals, and how they align with your organization's mission. Otherwise, you risk getting caught in the quicksand of project rework.

In fact, poorly defined goals are often cited as one of the top reasons for ERP implementation failure. Start by rallying up your organization's leadership to craft a well-written goal statement. This statement should include the business value of the ERP system, and the critical business needs the system is expected to fulfill. All goals and objectives should be timely, measurable, actionable and implicit across the organization. To avoid opening Pandora's Box of never-ending project scope, specific team members should clearly define what's involved beforehand. It's always better to shape technology to facilitate your goals instead of adjusting your goals to account for technological limitations.

What does your five-year plan look like? How does technology factor in to help you achieve your future goals and objectives?



Every business
is unique in
some way.

2. STRUCTURE

Centralization

How easy is it for all stakeholders to access the business information at your organization? Having a shared, secure location to edit and access important documents is critical. In addition, having access to real-time data updates instead of numerous versions of various spreadsheets prevents inefficiency and errors.

How does your company file and update important information?

When it comes to ERP implementation, centralization is a double-edged sword. To ensure the ERP implementation matches company-wide goals, some opt for tighter control over user access levels as described in hierarchy and span of control later in this document.

Specialization

Every business is unique in some way. Usually, it's that very reason for their success. However, there are many processes that are common between organizations within the same verticals—about 80 percent of processes, roughly. Are you currently operating up to industry best practices when it comes to those practices?

Also, what about the 20 percent of processes that are unique to your business? Does your current technology meet the needs of your specialties as you develop these differentiating aspects? Consider areas where your current technology might be falling short. Be as specific as possible. This will help you start to shape your ERP requirements list.

Formalization

Does your organization have formalized documented processes? ERP solutions can help you set standards and automate processes in order to prevent inefficiency and risk. Along the same lines, they will allow you to introduce process safeguards as interrupts at relevant intervals.

Does your company optimize processes by ensuring proper documentation at all stages? Is process data reviewed regularly to assess the efficacy of the process? Are you currently able to test and track process changes as they relate to your efforts to increase operating efficiency?

Some organizations are more formal than others. Most have heavily standardized work processes and documentation across the board. Similar to specialization, ERP systems may be more readily adopted within formalized organizations that clearly document and communicate standards.

Size

Can your organization's size directly impact the success of an ERP implementation? The short answer is yes. While smaller organizations shouldn't be underestimated, ones with more employees and sales have access to greater resources—from a larger pool of talented professionals, to more expansive IT departments and healthier budgets. Leading experts suggest that these factors are crucial to a successful ERP implementation.

- How large is your organization?
- What will training look like?

Hierarchy

How many levels of access does each user need? For example, the CEO of your organization will need access to critical financial performance data, but sharing this with junior staff is not appropriate. The result of too much access is information overload and potential security issues. How will this hierarchy of access affect your ERP implementation? Do you have a current document outlining the existing access rights and privileges of your teams?

Span of control

In contrast to hierarchy of access, span of control relates to permissions to change and modify items. Let's face it, accidents happen. If someone unintentionally accesses and alters key information or functionality, how will this impact your organization? Who needs to have access to modify documents and records in your organization? This span of control should be identified and documented before beginning ERP implementation.

3. SYSTEMS

IT infrastructure

Does your organization have the adequate IT setup—from infrastructure to hardware and networking—to support a full-scale ERP implementation? It's crucial to assess these factors beforehand to troubleshoot any potential issues that could arise during implementation. Inefficient, end-of-life systems don't just muddle up operations—they could also complicate your ERP project. Before implementation, it's critical for your organization to get a firm grasp on the problems that archaic systems cause. What glitches could occur? Are you prepared? Infrastructure may need to be upgraded for seamless functionality, usability and integration.

Business processes

Before your ERP project can begin, you must align business processes with software. To fit the new system—and better meet IT and operational needs—business processes should be identified, documented and improved to ensure optimal integration. For smooth, error-free implementation, problematic processes should be identified—and adjustments should be made. Everyone on the implementation team should have a clear understanding of key business processes.

Do you have standardized documented processes that you can use as reference and support material as you begin to consider the ERP functionality you will need?

Data

Scattered project details and spreadsheets no longer work for you. So why rely on the same ancient methods during ERP implementation?

The ability to access current, up-to-date data is crucial for success. Because modules are closely integrated, incorrect data input into one module could impact the effectiveness of other modules altogether. For these reasons, accuracy and data quality are major components of ERP success. The first challenge is finding the proper data to load into the system. Then you need to convert disjointed data structure into a unified format before system use. Everyone on the team should understand the importance of accuracy and sound data-entry procedures.

How would you classify your level of data integrity? Do you have data priorities identified so that you can leverage ERP implementation to achieve your visibility goals?

4. STYLE AND CULTURE

Organizational culture

Whether you wear jeans or a three-piece suit to work, every organization has its own unique culture. Each company has a slightly different style when it comes to learning and development, decision-making, structure and tolerance to risk and change.

But company culture is important for more than just morale—it's a key factor that affects ERP success. Without the right culture, a mismatch can occur. For the best chance of success, technology should be aligned with organizational culture. Or culture should be reshaped around the demands of the new technology.

Are your employees married to a system that they have been using for the last 10 years? How much would a new system upset the company ecosystem? Will new software make old roles obsolete? What steps do you have in place to ensure successful adoption of a new system?

Communication

Combined with talent and drive, communication is often the key to business and personal success. And it's no surprise that clear communication is also crucial to ERP success—whether it's rallying up the implementation team or reporting on project progress.

To avoid communication glitches, free-flowing information—and an open and honest information policy—is fundamental. A plan should be put in place to ensure all communications goes smoothly. The plan should include all phases of the project with goals, project tasks, change-management strategies and project scope clearly defined.

5. STAFF

Training and education

To ensure all employees understand the conceptual and practical aspects of the ERP system, training is needed on business practices, processes, and IT and ERP skills. For the best chance of success, the appropriate planning, budget and resources should be set aside for training, and a well-planned training strategy should be put in place.

Do you have a point-person you can trust to lead this initiative? Do you have plans and strategies in place that may include working with a consultant or a third party to structure essential education plans?

Project team

To give your ERP project a fighting chance, it's crucial to assign your most skilled employees—with business and technical know-how—to the implementation team. A cooperative, competent and well-balanced project team should be chosen. To encourage all players to go above and beyond, everyone should be fairly compensated. Decision-making authority should be assigned to a key team member, and fast and decisive action should be encouraged and authorized.

Do you have enough personnel to dedicate to an implementation team and still maintain a high standard of everyday operations? Understaffed and overworked teams on tight timelines are a major risk factor to successful ERP implementations. This should be handled with due diligence and extreme care.

6. SKILLS

Management skills

Behind every flourishing business, and successful ERP project, is solid management. What makes a good leader? To start: diplomacy, communication and team-building skills. Preferably, the project team will have experience within business and management, and if possible, knowledge of ERP implementation.

What leaders within your organization would you select to champion this process? What qualifies them?

IT skills

IT is often the kingpin in any operation, especially when it comes to ERP projects. A skilled IT department makes for a smooth, successful ERP transition. When internal IT skills are strong, systems are more likely to succeed. For these reasons, assigning the right IT professionals to the ERP project is vital.

What skills does your team possess that might improve implementation? What knowledge do they have about your current systems that you don't?

7. SHARED VALUES AND GOALS

Company-wide commitment

Adopting a full-scale ERP system doesn't happen in a silo: it's an organization-wide commitment. For a greater chance of success, an "all hands on deck" approach is key, with cooperation from all business segments. To minimize resistance, everyone should be convinced that the ERP project is top priority. They should be prepared to embrace change. Personnel that aren't involved may be resistant to accepting new processes and systems, so get everyone involved early.

Have you put a plan in place to champion company-wide participation in the project? What would that look like within your organization? Do you have a designated change manager in mind?

Project champion

Perhaps IT is the only department that knows how to use your organization's out-of-date systems, and an internal champion is pushing for change. For a higher chance of success, a senior-level internal champion should oversee the ERP project, drive consensus and manage resistance to change. This individual should be a strong and tactful trailblazer with solid business, technical and managerial acumen.

CONCLUSION: SETTING THE STAGE FOR SUCCESS

LACK OF VISIBILITY

For the greatest possible chance of success, an ERP readiness assessment is vital. First, you should recognize the tell-tale signs that your organization has outgrown its current systems—whether new and bigger business means greater operational needs, or your systems are no longer supported.

Before taking on a full-scale ERP implementation, you must first determine if the conditions are right for success. Look at the current state of your organization, and how certain factors and dimensions affect ERP readiness. Assess organizational context, business processes, integration, perceptions and external forces that affect your organization and readiness. Go through the seven dimensions of the 7S model to help you determine your organization's ERP readiness.

WHAT'S NEXT?

Have you given thought to your current state of business and operations? Have you collected detailed responses to the questions posed in this e-book? These responses can be compiled to create a readiness report that will help you build a business case for or against developing an ERP implementation strategy with your executive team and board members.



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