



Industry White Paper

Ultra Corporation
Improving our client's business through information technology



Organize Your ERP Project

The economy of the 21st century has required middle market manufacturing companies to keep their staffs as lean as possible. As a result most companies are ill prepared to take on the selection and implementation of a new ERP system.

Compounding "lean" conditions are the continuing demands of the market and management projects that consume any available time.

Given these conditions, how should a manufacturing company get organized to take on the demands of an ERP project?

The following are some basic rules Ultra provides clients preparing to launch an ERP project:

Understand the ROI.

The need for a new system can come from a lot of places within the organization. As the need for a new system is heard within the organization, management needs to clearly understand the needs, the alternate solutions, the cost, the benefits of the solutions, and the return on investment. Management needs to be educated so that it understands the ROI of improved business processes throughout the organization.

Make ERP Project a Top priority

Timing is everything for an ERP project. Management must understand that an ERP project is a major project. It is management's job to prioritize the demands placed on the organization. My rule for the CEO is "if a new ERP system is not one of your top 3 priorities, delay it until it is". If management understands the return on investment, they will make it the top priority when the ROI is at the top of the list.

Executive Commitment

The ERP project requires the commitment of the entire organization, including the top executives of the company. The executive team needs to set the tone by communicating the importance of this project. The project cannot be viewed as an expense to make the computers go faster. It must be viewed as an investment in productivity improvement to make the company more competitive, profitable, and successful. The investment is as important as a new plant or a new product line. The executive team needs to give this project the same attention that any other top priority project would receive.

Ultra Corporation
415 East North Water St . Suite 2706. Chicago, IL 60611

Phone: 312-245-2777 Fax: 312-245-2888
www.ultraconsultants.com

Establish the Team

The project requires the best resources from the organization. The project needs a steering committee, an executive sponsor, a project manager, and a team of the best business users.

The steering committee should be made up of the CEO and the top executive from each functions of the business that will be affected by the new system.

The executive sponsor should be the executive that is going to drive the project. Often this is an executive that has been through an ERP project before. The executive should be the executive that is going to get the most return from a new system.

The project manager is a critical position. This position will grow quickly into a full time position. It should be a manager in the business that has great respect throughout the organization. It should be a manager that understands all of the parts of the business to be affected by the new system. If a full time resource cannot be found, the position can be a project management office with two resources sharing the duties. This project office can be supplemented with outside project management experience. The project management should report to the executive sponsor. Previous ERP project experience is preferable.

The project team consists of the “best” resource from each of the functions affected by the new system. The team is usually 5 to 10 members representing:

- ▶ Sales & Marketing
- ▶ Customer Service/Technical Service
- ▶ R&D/Engineering
- ▶ Manufacturing
 - ▶ Supply chain
 - ▶ Production
- ▶ Quality
- ▶ Plant Maintenance
- ▶ Finance
- ▶ IT

These team members are critical to the success of the project. They should be empowered to recommend the right system for the company, because it is this team that will guide the rest of the organization to use the new system to improve the business.

The structure of the team can be more complex if there are multiple locations involved. Team members should be the most experienced business users or managers. Understanding the company’s information needs is critical. Previous ERP project experience is preferable. The team members should be allowed to bring into the project the key users and managers at different points of the project to add subject matter expertise as needed.



When experience talks, people listen

Educate the Team

An ERP project is a “business process improvement” project. Its purpose is to implement new improved business processes that are enabled with new technology. It is the team’s responsibility to determine the “best practice” information processes to be implemented. To competently chart a course toward a “vision” of improved processes, the team needs to be educated in current capabilities modern systems. Today’s the typical ERP project team does not have a good understanding of “best practices”. Team members know their current system or what they knew in their past employment, which is at least two years outdated. Phase I of an ERP project should include an education curriculum for the team using vendors, Internet subject pod casts, seminars, and consultants.

Establish a Project Charter

The ERP project needs a well defined charter that clearly states its mission and objectives. The charter should include the following topics:

- ▶ Project Mission
- ▶ Objectives
- ▶ Organization (resources)
 - ▶ Organization Responsibilities
- ▶ Scope
 - ▶ Problems
 - ▶ Needs
 - ▶ Alternative Solutions
- ▶ ROI
 - ▶ Benefits of new system
 - ▶ Costs (over 5 years)
 - ▶ Expected Returns (over 5 years)
- ▶ Budget
- ▶ Schedule

The project charter should be endorsed by the entire project organization.

An ERP project is a major endeavor for any company. Its first year costs will exceed 1% to 3% of annual revenues. If done properly, the project return on investment can be 3 to 5 times costs. If done poorly, the company spends a lot of money to implement a new system that does not meet expectation. To build a foundation for success, take the time to follow these rules and put in place the right organization.

Let an Ultra Partner show you what other companies have done... and how Ultra can improve your company’s business.



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