
Managing the Deployment of ERP Systems in the Publishing Domain

Controlling the outcome of ERP Projects.

Managing the outcome of an ERP deployment is difficult at best. There are many obstacles to success, the least of which is the basic understanding that accepting an ERP system into a business is a significant disruptive event. This document describes the processes and activities involved in deploying ERP. The contributions of a consulting firm can significantly add to the probability of success. In the newspaper business domain, the successful deployment of an ERP system not only impacts the backoffice and financial operations, but also the editorial, advertising and press operations. ERP is a mission critical function of any modern newspaper and must be treated as such.

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Introduction

ERP projects are not IT projects. The IT project management *playbook* is not a good fit for an ERP project. IT systems management emphasizes exhaustive requirements definition and detailed planning. This process however and has never really worked on large scale IT projects. As a result the IT project management method is poorly suited for ERP projects.

Thinking of an ERP project as large-scale computer project leads to propositions that would look ridiculous to a board of directors or a finance person.

- Lets' spend \$2 million, \$20 million, maybe even \$200 million dollars up front.
- With a risk of 50% to 70% of a partial or total write off.
- If unwilling to write off the investment, you will then have to invest double the original investment to stay in the game.
- The potential returns could be as high as ten times the original investment.
- The team that will work on this opportunity is exceptionally talented but has a long history of missing milestones and failing to deliver the business benefits to the stakeholders.

ERP Projects are New Ventures

The risk profile of the ERP project, fraught with technological, organizational, and business complexities, resembles a new business venture rather than an IT development project.

The methods used to manage the ERP project should be taken from the Venture Capitalist playbook not an IT managers playbook.

- Investments must be staged. Capital must be conserved. Cash flows must be assured before more investment takes place.
- Great care must be taken to see that all participants in the initiative (including members of the senior management team) share the risk in a way that facilitates success.
- The composition of the team – the sponsors, consultants, product vendors, IT staff, and line managers – is of the utmost importance. VC's usually start with the resumes when reading a business plan. Who is involved matters more than what the plan is.

ERP as Enterprise Transformation

There are three major processes that make an ERP project significantly different than an IT project.

- Practical process reengineering – is about replacing historically evolved business processes with more effective and efficient standard processes. However, ERP starts with a set of templates. The task of redesigning a process is made easier using these templates. But if the templates don't match the desired business process the temptation to "customize" them. This removes much of the benefit originally provided by the ERP system. And creates an *instant legacy* system with the same maintenance and support problems of the previous environment.
- Package approaches to delivering IT capability – with numerous business advantages. Installing a packaged solution provides many well documented benefits.

One overlooked benefit is the imposition of a discipline on process and software changes. If the organization is not prepared to accept this discipline, this benefit soon disappears.

- Shift toward modularity of fundamental business processes – may in the end have the most significant impact on the organization – the modularization of the organization's *architectures*. There is technical architecture, data architecture, application architecture, and enterprise process architecture. All of these architectures will be impacted in some way. Without preparing for this impact the project will soon exhaust the skills, resources, and patience of the staff, vendors and sponsors.

Types of ERP Implementations

There are three basic types of ERP projects:

- Comprehensive – represents an ambitious implementation approach
 - Multi-national company
 - Multiple sites
 - Full functionality of ERP, the 12 main modules of SAP R/3 for example
 - An independently evolved business process
 - Scope and level of the business process reengineering is high
 - Long deployment process based on module-by-module or full system implementation.
 - \$10M expected investment
- Middle of the Road – is mid way between comprehensive and vanilla
 - Multiple sites
 - Implementation of only core ERP modules, financials, Asset Management, and Project systems in R/3
 - BPR level is significant, but not as extensive as the comprehensive process
 - \$3M expected investment
- Vanilla – is the least ambitious
 - One site
 - Small number of users (< 100)
 - Core functionality only
 - Alignment of the company processes with the ERP process, means no BPR.
 - \$1–2M expected investment

How to Implement an ERP System

IT projects traditionally use a formal management, development, and deployment process that emphasizes planning. These processes organize the work into phases separated by decision points. The supporters of this approach emphasize that changes made early in the project is less expensive than changes made late in the project.

This waterfall approach is based on several flawed assumptions:

- It is not humanly possible to execute a planning process so that implementation is merely a matter of performing the defined tasks.
 - Plans for complex systems rarely turn out to be *good enough*.
 - Unanticipated problems are the norm rather than the exception.
- It is not possible to protect against late changes.
 - All businesses face late changing competitive environments.
 - Windows of business opportunity open and close at the whim of the markets not the project manager.
- Business usually *commit* to a plan. By making this commitment, they lose much of their ability to take advantage of fortuitous developments in the business environment.
 - In a financial setting this is the *option value* of the decision.
 - Deferring decisions to take advantage of new information and new opportunities is rarely taken into account on IT projects. It is vital to the success of an ERP project.

The Road to Hell is Paved with Good Intentions

These flawed assumptions usually lead to a dysfunctional dynamic that undermines the effectiveness of the project team. This dysfunctional dynamic takes place in the following way:

- The client company pretends that it is possible to plan well enough to lay out specific milestones far in advance and then writes a contract with these milestones in it.
- The vendor pretends that it knows how to meet these milestones in order to win the business.

Neither party can possibly know what it is pretending to know. Both parties know that, but each feels compelled to maintain the pretense of good project management. This simply clogs the communication channels between the projects participants.

Planning in the Presence of Uncertainty

The difficulty of planning in an uncertain environment does not remove the need for planning – it simply changes its purpose.

- Plan to gain understanding.
- Plan for unanticipated events, this is risk management.
- Don't take planning too seriously, the original plan is simply a guide to the future it is not the future.

Avoiding Dysfunction

ERP projects should be thought of and managed as new business ventures.

- Staging – ERP paradox of absorbing the ERP system whole to gain the benefits of the integration and infrastructure is not a good *venture decision*. In fact the venture capitalist would say *this is a lousy business opportunity*.
 - Different businesses have different cash flow requirements

- Investment moves to those businesses that have *acceptable* or *low* cash flow requirements.
- The risk / reward proposition must be reasonable.
- Incentive alignment and risk sharing – among the parties cooperative problem solving behaviors are not only encouraged they are demanded.
 - Vendor and system integrator payments linked to the accomplishment of *real* tasks, not milestone dates.
 - Senior managers compensation based on successfully delivering components of the project.
 - No conditional support, every one must have some *skin in the game*. Conditional support is the *kiss of death* for an ERP project. It's going to get ugly no matter what happens, so everyone has to be 100% committed.
 - These incentive plans must be balanced by common sense.
- People are the key to success – any venture is based on having the right people first. An “A” team with a “B” idea is always better than a “B” team with an “A” idea.

How NSA Can Help

Nilan–Sanders Associates is a small consulting firm with extensive experience in a variety of software product development and deployment processes. We base our value to our clients on the simple idea that:

- In an environment of uncertainty, money buys information (it's the options game all over again). Knowing something that you did not know before is very valuable when you are managing a new venture. We are professional *information* sources. Our role as consultants is to bring to our clients the not only the latest information, but the information that will contribute to the successful outcome of the project.
- Anything that interferes with the lines of communications between the ERP team, vendors, system integrators, and customers of the system will led to less than acceptable results. Our role is to facilitate these communication links.
- Maintaining an effective problem–solving environment is a critical success factor in all technology ventures. The creation of detailed plans, even if they are obsolete from the moment they are published is a skill we provide.

What does not kill me makes me stronger.

— Fredrich Nietzsche

ERP has the potential to make an organization stronger. The trick is not to *die* in the process.

Resumes

Glen B. Alleman

Glen is an experienced IT consultant with over 15 years of major client management responsibility in a broad variety of industries. His over 22 years of progressive responsibility in the design, development, and management of industrial strength software systems provides a solid foundation for architecting state of the art e-commerce and business systems. His direct hands-on experience with large-scale integration environments and business domains include: IT Strategies, object based system architecture, enterprise application integration, business process reengineering, and product development strategies.

Glen's extensive program management experience, with multiple concurrent projects involving hardware, software, multiple sites and legacy business systems integration forms the basis of a strong business focused on delivering the system, on time and on budget, which meets the requirements of the client. Glen holds a MBA from the University of Southern California and a B.S. in Physics from the University of California, Irvine.

Richard A. Sanders

Rick has a 20 year background in high technology systems and software development focusing on publishing, multimedia and mission critical IT solutions. From 1996–99 he was Vice President of Research and Development at SII, responsible for the technical direction and the development of all products. Rick was also with SII from 1986 until 1993 starting as the Director of R&D. In 1991, Rick was chosen to start up SII's Telco Division – a Yellow Pages electronic publishing joint venture with US–West in Englewood, Colorado.

Rick left SII in 1993 and joined Visionary Corporate Technologies, Inc. in Palo Alto as a multimedia publishing business developer. In 1994, he became the Vice president of R&D at American Fundware. In the 1980's, he held positions as manager of software development at Logicon, Inc. and, later, Harris Corporation. Rick holds a BS in Computer Sciences and a Masters Degree in Business from the University of California at Irvine.

Stephan E. Nilan

Steve has 20 plus years experience in high technology marketing and strategic business planning with a focus on publishing and media, including newspapers, cable television and the Internet. Prior to forming Nilan–Sanders in 1997 with Rick Sanders, he was Vice President of Marketing and, later, Vice President of Business Development at System Integrators, Inc. (SII), a worldwide provider of newspaper publishing systems. At SII, Steve formed MediaBridge, the Company's new media division with a focus on Internet publishing ventures.

Steve was President and co-founder of MediaExpress, a cable television-to-PC information broadcast service. Steve has also held marketing management positions with Logicon, Inc., Harris Corporation and Unify Corporation. He holds a BA from Villanova University and an MBA from Iona College.