Why ERP Systems Fail to Perform

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Manufacturing ERP

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You have invested in a new ERP system, endured the implementation process and have begun using the software solution to manage your business. But somewhere along the line, you start to lose momentum. Slowly, without realizing it, your employees begin reverting to their old ways and processes. Frustrations with the system surface and suddenly, you find that your ERP software is not performing as you had envisioned. As more time goes by, you realize that your ERP system is failing your needs. How did this happen?

Unfortunately, there is no magic bullet to explain why ERP systems fail to meet expectations. It is typically a series of minor problems that lead to a downfall. It can happen to any size organization, large or small, and while some failure prone issues are out of your hands (for example, your ERP vendor goes out of business or stops providing updates), most pitfalls can be avoided with care and attention.

ERP systems can develop failure triggers at three different stages: ERP selection, implementation and post-go live. Below are the most common reasons ERP systems fail to perform and recommendations on how to prevent a breakdown from occurring at your business.

Stage 1: ERP Selection
Mitigating your ERP software's potential to not meet expectations starts at the beginning: The ERP selection stage. The No. 1 reason for ERP failure may be the selection of a poor fitting solution. But you can prevent a bad decision in a few ways. An ERP implementation is not an IT project, it is a business project, so begin by carefully selecting a steering committee that is a diverse representation of your company. A good ERP system will touch every aspect of your business, so you will need input from all departments, including accounting, human resources, quality, sales and the shop floor. As a bonus, by allowing your key end users to be involved in the decision making process upfront, they will have more buy in during implementation.

Once your selection committee is assembled, then proper vetting and research into a variety of ERP software systems is a must. You are on the hunt for an ERP solution that was designed with your specific business processes in mind. Trying to shoehorn a system that was designed for a different market into your company's procedures will not work. You will forever find yourself struggling to make your processes "fit the software, rather than molding the software to work for you. Remember to look forward and consider how you want to do business in the future, rather than focusing on how you performed operations historically. Search for a solution that meets all of your needs both now and in the future.

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Once you have narrowed down your search to a final few, be sure to check references. Ask these fellow manufacturers about how the vendor handles software updates, training, implementation timeframes and technical support accessibility. Inquire about ease of use for the employees, productivity increases, return on investment and cost decreases. If possible, tour a manufacturing facility that utilizes your similar processes and study the software actually being used.

If you are utilizing a consultant in your selection process, be sure to select one that is objective. While there are many good consultants available who will honestly analyze your business and offer a few solid ERP vendors to choose from, some consultants are sponsored by a specific ERP vendor or offer implementation services of a specific software and will push their system, no matter the t. Be wary of consultants that are in bed with an ERP vendor -- They don't have your best interests in mind.

Once an ERP selection has been made, you can begin addressing potential pitfalls in the implementation stage that contribute to ERP failure.

Stage 2: Implementation
Not only is upper management support critical to a successful implementation, it also lays the foundation to prevent future ERP collapse. Implementation teams are most always more engaged if upper management shows an interest and takes a hands-on approach. This doesn't mean that your CEO should be involved in every single configuration detail, but upper management should at least be aware of any issues and delays. An active management team will keep employees engaged and dedicated to the project.

When setting up the most impactful areas of your new ERP software, such as inventory structure, bills of material (BOMs) and process workflows, be sure to closely evaluate your old processes and look for ways of improvement. You switched or invested in new ERP software because the old ways were not working. Don't bring over bad habits. Excellent ERP solutions offer multiple ways to accomplish the same result so you can tailor the software to fit exactly what you need, rather than settling for the old way.

An ERP software's failure to perform can also come from a lack of resources. Don't forget that unless you have a dedicated ERP implementation team, your employees are trying to do their "day jobs" in addition to implementing and learning a new system. To prevent ERP disappointment, set realistic deadlines and allocate extra resources when needed to execute your implementation correctly. Give your users time to learn and experiment with the system on a training database, as well as learn how their new processes will work.

Finally, don't go it alone. Many businesses, in order to save a buck, opt out of training or implementation services. ERP systems are complicated and having a dedicated specialist on your team to help you implement correctly the first time is worth every

penny. A good ERP vendor has a special, internal implementation and training team (not a contracted third party reseller) that is in place specfically to help you succeed. Their goal is to offer as much assistance as possible to ensure your success with the software and long-term happiness with their company.

Stage 3: Post-Go Live
Just because implementation has concluded doesn't mean you can sit back and let your ERP system ride. Another critical pitfall that can lead to an ERP breakdown is failure to update. Good ERP software is continually improving and developing with the latest technology to offer you more tools, reports and features so you remain competitive and benefit from technological advances. But as the manufacturer, you have a responsibility to keep current on software updates and prevent your system from becoming stale.

In addition to updating your software on a regular basis, you must also keep your employees up to date. Allocate a bit of money every year to ongoing training and staying current on what's been added to your software. Additionally, a culture of continuous training and improvement will help you use your solution to the fullest. Many successful manufacturers conduct a yearly application analysis to discover gaps in the system, explore new modules and receive process improvement recommendations to ensure the ERP software is doing all it can for them.

Achieving Long-Term Success:
ERP software failure is not inevitable. There are manufacturers across the nation who have been happy with their same ERP vendor for more than 20 years! But it takes both parties to achieve long-term success. Your ERP vendor needs to be a partner and provide good training, technical support and regular software releases to keep you competitive. As the manufacturer, you can contribute with upper management support, a fair allocation of resources, realistic implementation deadlines and continuous improvement when it comes to training your team and updating your software. Taking a proactive approach, and selecting an ERP vendor that is the best t for your company, will set the stage for an ERP software solution that improves your operations and ultimately, your bottom line.

About IQMS
IQMS uniquely combines ERP and manufacturing execution system (MES) functionality to give manufacturers a comprehensive end-to-end suite for running the business, backed by the real-time performance and scalability companies demand. Developed specifically for mid-market repetitive, discrete and batch process manufacturers, IQMS provides robust capabilities for addressing strict customer and regulatory certification and compliance. IQMS achieves this by delivering traditional ERP functionality for accounting, sales orders, material requirements, inventory and purchasing, plus extended native features for CRM, human resources, production scheduling, shop floor control, warehouse and quality modules. With offices across North America, Europe and Asia, IQMS serves manufacturers around the world.

For more information, please visit www.iqms.com.

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