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Business Essentials: Grabbing That ROI

by Fred Heintz, CPIM CIRM CSCP

This is the final installment in our five-part series of articles on choosing and implementing a new ERP system in your business. This article looks at post-implementation support, and we talk about what you need to do to make sure the business derives all the benefits you anticipated when you made the purchase. To see the previous articles, see our resources page on our [website](#).

The big day has come and gone. The System Project team is getting ready to go back to their "day jobs"; after all, you did select your key players to support a project *this* large and expensive, didn't you? So everything is done, and it is back to business as usual. This is almost correct, but there are still a few things that can be done to make sure all the foreseen benefits are realized.

These final tasks, while no longer requiring a full project team, are still critical in making sure the system delivers what the business needs to grow. There are three tasks that can help determine the benefits derived from the new system

The first is to **verify that everyone is taking advantage of the full system functionality.**

From the implementation process, there should be a log of user complaints. Do any of the problems logged show a lack of user knowledge? Remember, the users have only received a relatively small amount of training compared to the project team. It may be necessary to schedule refresher courses for some users. Another thing to look for is whether or not some system function that was thought to be peripheral might really be the best way to handle a process. This would require changing documentation, changing training manuals, and re-training users in the revised procedure. Many times, the procedure that looked great in testing will be lacking when the real business cases are encountered.

Second, **look for any system shortfalls encountered during implementation.** Again, the user problem/complaint log is a good place to start.

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Reviewing the log for true system shortfalls will allow you to judge the severity of any problems. There was probably a work-around solution created during the implementation, but now you must decide whether these “work-arounds” become permanent. While no one wants to institutionalize a less-than-optimal solution, the cost of replacing the current process needs to be balanced against the gain in productivity.

The final task in determining the success of your implementation is to **perform an audit**. While you need to look at the finances of the project, don’t overlook gathering all the “lessons learned” soft data as well. I’m sure you’re hoping this is the last full system implementation you’ll work on in quite a while; still, there will be smaller system projects to be done. Learn from what went well (and what didn’t) so the next

project will go even better. Also, many of these lessons can be applied to non-system implementations like process improvement projects and new equipment installations.

The audit needs to review whether the project met its budget, achieved the goals/improvements forecasted, and met the corpo-

(or 5%)? Both hard and soft dollars should be included in the review. After all, those people could have been helping the business in other ways instead of implementing new software.

Auditing if the software met the goals set up can be the easiest of the tasks. If clear,

precise goals were specified for the project, all that is needed is a comparison between baseline numbers and current numbers. So, it is easy to see if inven-

tory has been reduced by 5% in six months by just looking at the current inventory level versus the inventory load into the new system. The key is detailed goals, and making sure the system is configured to achieve those goals. In the above example, it does no good to set an inventory reduction goal if safety stocks in the new system are set up higher than the old one.

Finally, the audit needs to determine whether the implementation met corporate ROI goals. Doing a thorough job on the first two parts of the audit should provide the numbers necessary to make this calculation. The key is the timing of the calculation. If you do it too soon after implementation, few of the benefits will have been realized. If you wait too long, many of the costs will be harder to capture. ROI on system projects is very hard to capture correctly, but it is worth the effort to see what the business truly gained by buying new software. ■

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ration’s required Return On Investment (ROI). To get a true picture of the project payback requires more than a cursory review of the costs and benefits.

On the surface, it may appear that reviewing if the project met its budget would be the easiest of the three audit tasks; however, care must be taken when reviewing these numbers. Looking at the cost of software and hardware is fairly straightforward, but be on the lookout for “throw ins” that can skew the numbers (e.g., “As long as we were changing out the old P.C.s, we bought a new printer, too”). The hardest part is allocating employee costs to the project.

It is important to try to accurately capture these for building budgets on future projects. Unfortunately, many people will not be full-time project participants. So, did Sam really work 100% on the project? Did Sue work the 25% budgeted or closer to 50%



TEAM Success: Don't make the same mistake twice

by Tom Dzialo, CPIM CIRM

Last month, I wrote an article about celebrating your success. It was intended as an introduction to the traits of winning teams. Part of building a positive culture in your organization is recognizing and celebrating the things you do well. No one wants to be on a losing team. Winning teams/cultures work hard and savor their accomplishments. They do not tolerate the "blame game." Finger-pointing and passing the buck benefit no one.

"a SMART MAN LEARNS FROM HIS MISTAKES,
a WISE MAN LEARNS FROM THE MISTAKES OF
OTHERS." - ANONYMOUS

That being said, when things do get off track or don't go as planned, you have to ask questions. At those times, you need to encourage discussion and, when appropriate, employ the "Five Whys." This is a Root Cause Analysis (RCA) technique used to identify, correct, or eliminate the cause of a problem and prevent the problem from recurring.

Winning teams are learning organizations. They have continuous improvement cultures. Mistakes, while not desirable, are used as learning opportunities. Intelligent risk taking is encouraged.

Winning teams, be they sports, manufacturing, medical, or military all perform some type of "After Action Review." Following the simple logic in the Deming Wheel, a.k.a. the PDCA Cycle (Plan Do Check Act; see our September 2008 newsletter archived on [our website](#) for additional information), teams always "Check" after they "Plan" and "Do". This way the team can "Act" or "Adjust" their processes to build on their successes and address any deficiencies.

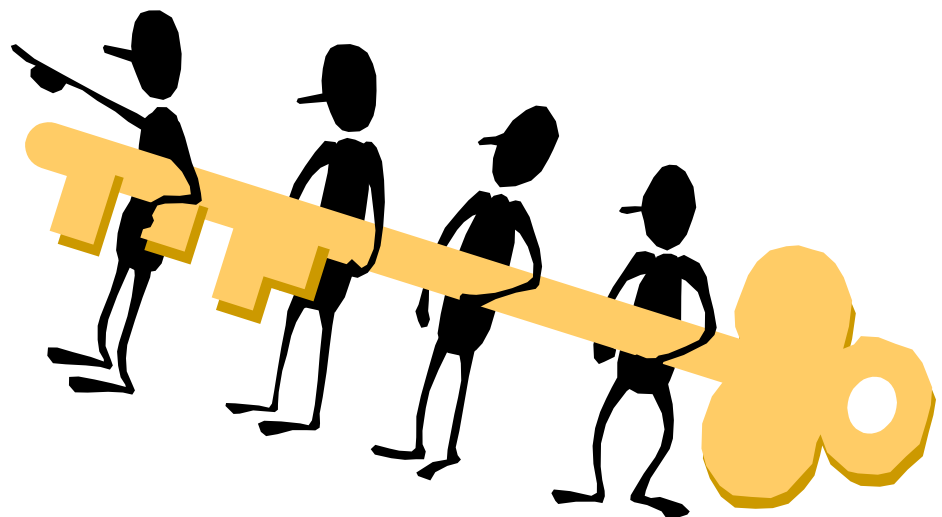
This is a *team* activity and a continuous improvement activity. It is not a "witch hunt." It is not a search for a "scapegoat." Teams win or lose together. Good teams and teammates support and challenge each other to be better and to achieve better results.

No one (and no team) likes to lose, so addressing deficiencies in a timely manner helps feed continuous improvement. It can, however, become emotionally charged if not done professionally. The focus is on performance of the *process*, not the *person*. Collecting the facts and addressing the deficiencies in the process will help to eliminate or mitigate hurt feelings.

Use the end of the calendar year to bring your team together to celebrate what has been accomplished this year and to begin making plans (New Year's Resolutions) for next year to work together to identify and act on opportunities for improvement.

Good leaders will lead by example and holding their own areas up for scrutiny first.

Always remember the acronym TEAM: Together Everyone Achieves More. ■



*From Everyone in the
Sixth Floor Consulting Group Family ...*

*Best wishes for a
holiday season full of
joy and laughter, and a
bright & shining
New Year!*



Sixth Floor Consulting Group, Inc.

41 Arnoldale Road

West Hartford, CT 06119

(860) 233-7411

www.sixthfloorconsulting.com