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Business Essentials: Is It Time for a NEW System?

by Fred Heintz, CPIM CIRM CSCP

Are you being encouraged to dump your current software system? Is it really too old to do the job? It's an expensive proposition. How can you be sure?

Every executive wonders about the computer system being used to run his or her business. It's not unusual to hear complaints from the users about functionality and ease of use, but the problem is figuring out whether the complaints are justified.

There will always be complaints about the current system (until it is changed). You need to understand if the software is actually capable of adequately running the business, or if the complaints represent real obstacles in operation. To determine this, the shortfalls in the system need to be documented — and then these shortfalls need to be evaluated to see if they are truly problematic. All ERP (Enterprise Resource Planning) systems are under utilized. While this may seem too absolute, most systems are built to have more functionality than a company can utilize effectively.

Organization Requirements

The first step in reviewing a system

is to determine if it fits the business needs. Review the software for "points of pain," but also look for users who are advocates for the software. Many times, complaints are heard while those people who derive real benefit from the system say little, because the system is doing what they need.

Once all the shortfalls have been recorded, you need to determine if the software really is incapable of doing what the users need (or if, perhaps, it isn't being fully utilized). We have worked with companies that were going to buy new software, even though the current software was capable of doing what they thought was missing. This step requires calling in a software expert, and not your local sales rep. Rather, it needs to be an objective expert who can determine the following:

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- Can the software do what the business is looking to do?
- What steps are required to make the software do what the user is looking for?
 - Setup/configuration changes
 - Master data changes
 - Additional/changed transactions

This research can often be done internally, as long as the company has someone with very good knowledge of the system and the business, as well as the ability to figure out any unknown transactions. If the company has a good rapport with the software vendor, they can often get a software specialist to document the above requirements, but the company needs to beware of answers without all the detail listed above.

Gap Analysis

Once these needs are documented, the business can rationally decide if the software can really do what is required. We've seen "work arounds" that called for the user to input two extra transactions to get the outcome they required. This is not a solution.

While the steps might seem tedious, the savings over buying a brand new ERP system are enormous. A company we worked with saved more than \$1.2 million by not buying a new ERP system. Instead, they spent between \$25,000 and \$50,000 to document processes and train users to use the tools they already had.

Sustainability

Does this mean clear sailing if we can get most of the shortfalls covered? Normally yes, but a key point in any system review is sustainability. We can get it to work today, but will it work tomorrow?

When looking at the current software, it is important to determine if it will be usable

five or ten years from now. It is no fun to *have* to convert a system, rather than

choosing to convert a system. So the key questions here are:

- Is the original software vendor still in business? If the software has been sold to another party, there is less likelihood the software will stay supported. A company can often buy support from a third party, but this is a step needing a lot of due diligence.

- Is the software still promoted and sold?
- Are new updates issued on a regular basis? If the current vendor does not improve the software, eventually, you will need to move to a new system.

Finally, if you're not receiving complaints about the software, everything is hunky-dory, right? Not necessarily. While more fully utilizing the existing software may temporarily eliminate complaints, that does not necessarily mean it is the best one for the business.

“While more fully utilizing the existing software may temporarily eliminate complaints, that does not necessarily mean it is the best one for the business.”

- How many spreadsheets are used to run the day to day business? If critical processes are controlled by spreadsheets, they are not really controlled.

- Does the data keyed/loaded into the system add value to the process? Too often, in order to make the program do what the business wants, complex work around solutions are crafted. Every transaction keyed should help run the company better.

- Is the system well documented? While thick computer manuals are a thing of the past, every sys-

tem should have a robust, easy-to-use help feature that *truly* helps.

Most companies do not look at their system every year, nor should they! When it seems to be time to look at new software, first research whether or not you really need a new ERP system. ■

This is the first of a 5 part series on buying (or not) new ERP systems. In the coming months, look for articles on:

- *Determining new system needs and costs*
- *Selecting software*
- *Implementing a new ERP Package*
- *Post-implementation support*

Y2K + 10

Lessons learned from the threat of disaster *still* apply

by Tom Dzialo, CPIM CIRM

Ten years ago, "Y2K" was a ticking bomb, threatening to bring systems, businesses, and governments to their knees. Most organizations choose to either (1) upgrade and test existing systems, or (2) replace a legacy system with a new one to achieve a Y2K compliant version of their enterprise system. Huge sums of time and money were expended, and it must have worked. There were no power failures, not a plane fell from the sky, nor did any banks fail or businesses go under because of Y2K!

Organizations have been safely running their new or upgraded computer systems for more than ten years now. Maybe there have been a few technical hiccups along the way, but for all intents and purposes, the IT (Information Technology) world has been safe. Organizations that followed the same business processes continued to achieve, more or less, the same business results. No surprise there!

Ten years later, organizations not practicing continuous improvement are back in the same spot. It's like Groundhog Day all over again, not from a computer systems perspective but from an effectiveness standpoint.

Shouldn't we expect more from our investment in IT hardware and software and

transaction processing time? While the obvious answer is YES, the typical answer in practice is NO.

Ten years after Y2K and the dot com bomb, the enterprise resources planning software world and some organizations can be characterized like this:

- Tier 1 Software continues to add bells and whistles for the global or multi-national companies that can afford them, while most end-users barely understand the business needs and processes (much less those of the software). The IT function continues to report to the CFO, pushing out tools and requirements deemed necessary more from the financial perspective than that of the business function.
- Small to medium size organizations generally rely on Tier 2 software companies that are still trying to rationalize and integrate the various products they have acquired. While financial folks still have their say on expenditures on tools, new tools are more likely driven by the needs of the end user or function.
- QuickBooks and other low cost packages provide essential business transactional capabilities with some advanced tools (easy data import/export, web integration, etc.), providing big bang for the small business buck. With money generally being an issue, big budget projects and software are not usually an option.



Generally, monies spent on computer systems are considered essential and not to be questioned. This type of thinking runs the risk of automating waste instead of justifying systems based on business needs.

Rather we suggest using EAR to improve your systems expenditures:

1) Expectations

Set high expectations for continuous improvement. Most of us don't accept the status quo in our private lives, so we should expect the best support possible in our business lives.

2) Accountability

Clear ownership and accountability prevents finger pointing. No one wants to fail, and once individuals know what they are accountable for, they often work hard to avoid failure.

3) Results

Focus on the results delivered by your systems, and more specifically their business (function) owners.

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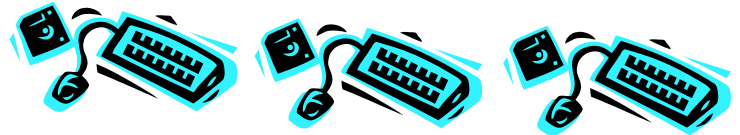
Here are some signs that your organization might be due for a systems checkup:

- Important operational information can only be found in a computer, or worse yet, someone's head (no visual signals).
- Summer vacations wreak havoc on operational performance (no standard work).
- Monthly fiscal close still takes too long (over-processing).
- Investment in Inventory is too high because Inventory accuracy is too low.
- Business functions are dependent on the IT department (KISS approach).
- Running "DOS" and or "Green Screen" applications, or any software or version more than ten years old. ■

Mark your calendar ...

Date	Event
August 20	Excel 2003: a. 4-hour Excel 150 (Basics) b. 4-hour Excel 201 (Intermediate)
August 30	Excel 2007: a. 4-hour Excel 150 (Basics) b. 4-hour Excel 201 (Intermediate)

Call us or visit our [website](#) for event and registration details



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