Optimizing ERP in Your Organization

BY ROB ROQUE
This article is the second in a series on what a jurisdiction needs to do in order to maximize its return on investment in an enterprise system. The first article in the series was “Making an Enterprise System Work for Your Organization,” which ran in the June 2010 issue of Government Finance Review.

The process for optimizing an enterprise resource planning (ERP) system focuses on major enhancements to the existing application or activating additional functions within the system. The optimization process does not include regular maintenance activities such as adding a vendor, or adding a general ledger account, or applying minor system patches. Although these processes require a change control process, they typically do not require the process described below.

The stages for optimizing an ERP system are similar to the stages of selecting and installing an ERP application. The requirements stage is used to identify the business need, the detailed functional and technical requirements, the estimated costs, and the analysis of the solution. The implementation stage, which follows the same implementation steps as the original installation, is used to install the optimization. The post implementation phase is used to support the optimization.

**REQUIREMENTS STAGE**

Recommendations for system optimization usually go through a formal request process. However, it is inevitable that some requests for optimization will bypass this process — in the case of changes in laws and local ordinances, for instance. The origin of the request shouldn’t matter. Highly integrated solutions require a thorough impact analysis before major changes are made to the application. Hastily installed changes will affect the functioning, performance, and scalability of the system. The following recommendations are designed to shorten the timeframe for completing the business impact process.

Ideally, a business analyst from the ERP support organization will be responsible for gathering the business requirements for the request.

The approved proposal is added to the ERP improvement portfolio. The portfolio, which is managed by the support organization, is a listing of system enhancements. The implementation order is based on priority, resource requirements, and installation sequence. The portfolio should remain transparent so stakeholders know the status of their requests. In some organizations, a strong executive leader may be required to manage competing priorities within the portfolio.

**IMPLEMENTATION CONSIDERATIONS**

The process for installing the enhancement should follow the same process that was used to install the software. This assures consistency in applying the change and reduces the risk of violating any installation warranties. The implementation methodology should also incorporate any lessons learned into the process. If possible, the requester or a designated subject matter expert should participate in the implementation. A project manager should be assigned to oversee the installation.
Implementation follows the regression method. Just as regression testing requires testing of the application after applying a change, the implementation process also requires a form of regression application. For example, the design documents that relate to the enhancement should be updated to reflect the change, along with test scripts. Other processes, such as change management and training, should also be reviewed. Any changes to the methodologies that are required as a result of the change should be documented and updated.

**POST-IMPLEMENTATION CONSIDERATIONS**

Impacts to the post-implementation support organization should also be considered. The organization, for example, should be briefed on the change and provided with training on new functions or new technologies. Help desk personnel should also be notified about when the changes will occur, and they should receive proper training for responding to issue calls. Non-system processes may also need to be updated (e.g., organization policies and procedures).

A quality assurance team should be overseeing the implementation to manage the integration of the change. Quality assurance staff needs to review design documents, oversee testing, and perform other duties to ensure the integrity of the system.

Project managers or quality assurance team members should also enforce the recommended policy of maintaining a “plain vanilla” installation of the application. This means that native functioning takes precedence over customization. Ironically, as customers become more familiar with specific application modules or functions, there is a tendency to try fitting the solution into known functions rather than exploring other available functions in the software. This is not unique to software customers; implementation consultants and software consultants fall into the same trap. Support team members should be encouraged to use a test system to explore other functions within the software. Comprehensive training and cross-functional training may also encourage broader functional analysis of the software.

**CENTERS OF EXCELLENCE**

This article and its predecessor have described the requirements for an organization implementing and maintaining ERP, and the steps required for adding future enhancements to the system. The intent of these articles is not only to describe these requirements but to inform public-sector policymakers and decision makers about why continued investment in ERP is important, and why methodological approaches to changes are necessary in order to protect major investments in ERP. Running a center of excellence is one way of managing this complex process throughout the lifecycle of an ERP project.

Although they are common in the private sector, particularly among consulting firms, centers of excellence are relatively new to the public sector. Organizations that are interested in defining world-class resources for their initiatives have established centers of excellence to develop and retain proficiencies in knowledge and application of best practice principles. The goal of a center of excellence is to instill practices in the organization to maximize optimum returns.

Although centers of excellence can be formed around many types of projects, they work best with projects that permeate the organization. Center of excellence processes are meant to be contagious, and using them to support a central project will almost always yield positive results. ERP projects are good candidates for center of excellence initiatives because ERP projects typically affect entire organizations.

Centers of excellence are treated as organizations. They should have a governance structure, a charter, a budget, and assigned personnel. Organizations with access to larger resources have formalized the center of excellence organization. Organizations with smaller resources follow the center of excellence principles and make use of virtual resources to complete center of excellence activities.

The governance structure should be managed by strong leaders who are empowered to enforce policy and set priorities among competing interests. Typical structures consist of a steering committee with a strong executive leader, representing system stakeholders. A project manager is assigned to manage the project portfolio and coordinate activities with service delivery departments such as information technology. Supporting the project manager are functional and technical leads who are responsible for managing individual center of excellence activities.
excellence projects and providing outreach to the community of subject matter experts.

It is a good idea to isolate the budget for center of excellence activities. This provides more visibility into the projects that are being addressed. Obscurity quickly breeds dissent among policymakers and the stakeholders.

Centers for excellence developed for ERP projects should assume that technology supports business process. As a result, business analysis should always be at the forefront of the center for excellence function. This means that center for excellence initiatives should be supported by a business case and impact analysis. Project investment in the initiative should not occur unless the business case supports it.

Other duties of the center for excellence for ERP include configuration management, software maintenance, and training. Although these activities do not require a business case, they do require staff to have comfortable knowledge of the software and the business processes the system is designed to support. Knowledge transfer is also an important function in that the center for excellence never wants to become too dependent on one staff resource for any particular process. Staff members are encouraged to share their knowledge throughout the entire enterprise.

### SYSTEM OPTIMIZATION ASSESSMENT

A center for excellence or a similar resource is required to fully assess whether or not an organization is using its enterprise system to its fullest potential. Some ERP optimization methodologies focus on software functions, suggesting that users review each one and determine whether or not they are being used. If a function is not being used, what are the reasons for that, and what value could using it bring? An even more fundamental approach of analyzing the business process underlying the use of the software is to determine whether or not it is still relevant. Only a knowledgeable resource, with deep knowledge of the business strategy and software functions, can determine whether an existing process is still relevant or whether new functions could improve the process.

For example, consider improving the process of printing a Microsoft Excel spreadsheet to illustrate the requirement above. A user prints a daily cash flow report that sometimes prints two pages wide (the undesired result) or stays within the width of one page (the desired result). Although the user uses print preview and plays with the “adjust to” percentages in the Page Set-Up, he often winds up with the undesired result. A better software approach is to use the “fit to” properties under “page set-up,” which allows the software to account for printer hardware anomalies. The business analyst approach is to ask why a hard copy of the report is required in the first place.

Potential improvements to the software application or business process are managed through the project portfolio management process. Business improvement recommendations that do not require software configuration changes are passed over to the “owner department.” The “owner department” consults the center for excellence about technology ramifications or makes use of the center for excellence’s resources to implement a new process. Organizations may want to develop criteria defining the triggering events for the center for excellence review process. The final step is to run the proposed improvements through the ERP optimization process described earlier.

Unfortunately, the formalized process of system optimization is rare. Bits and pieces of the optimization process usually occur informally and at different magnitudes. For instance, the staff of smaller public-sector organizations tends to have
wider areas of responsibility than the staff of larger organizations. This results in a natural push toward more holistic approaches to process analysis, yet not enough resources to implement the solutions effectively. Conversely, larger organizations tend to have highly specialized staff. Recommended solutions to problems are highly specialized, yet the implementation approach can be fragmented. A more formalized approach to system optimization will yield positive results.

CONCLUSION
Organizations need to stop focusing on managing their software as a solution. Instead, they should focus on managing solutions with the software. Organizations that are best suited to use of ERP applications effectively are those that encourage exploration and creativity. Users in these types of environments are never satisfied with the status quo. Their instinct is to find a better way. This environment is created by instilling knowledge transfer, best practices, and dynamic thinking into the organization. ERP projects can be the impetus for this movement. The positive outcomes can be translated to other efforts throughout the organization.

ROB ROQUE is a senior manager in the GFOA’s Research and Consulting Center in Chicago, Illinois, and is one of the GFOA’s most experienced ERP consultants. He can be reached at rroque@gfoa.org. Rob invites you to share your thoughts about this article or your own experiences with the GFOA and our colleagues. Follow us at GFOAConsulting on Twitter or Facebook or at consulting.gfoa.org.

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