

Three Common ERP Pitfalls to Avoid

Changing to a new ERP system presents a unique opportunity to re-examine business processes and best practices, but horror stories abound. Survey data reveals three main challenges to implementation.

Crowe Horwath LLP recently surveyed 113 metals industry executives to examine common ERP pitfalls and the role of ERP systems in the industry. Respondents from mills, service centers and fabricators indicated three primary challenges: external vendors' competence, excessive levels of customization required to fit the software to business requirements, and poor project management throughout the implementation.

1 Competency of External Vendors—Regardless of the chosen technology platform, enlisting competent external vendors is paramount. The metals industry is different from typical manufacturers, so it's important to find a firm that has implementation consultants who understand what sets metals apart. The last thing an organization wants to do is waste its best employees' time training vendors on the basics of the industry.

Of particular concern is the trend for vendors to present their most capable people during the sales cycle, leaving companies disappointed when an inexperienced team comes in for the implementation. Companies can help prevent such disappointment by reviewing the resumes of the team that will be working on the implementation before signing on.

In addition, reviewing a vendor's track record of successful implementations in the industry is important. Risk can be significantly reduced if a vendor has successfully implemented at companies with similar businesses.

2 Excessive Customization—The single largest variable cost for an implementation is the degree to which the software must be customized to meet business requirements. Due diligence during the system selection process can reduce the risk of surprises, though there inevitably will be gaps between the standard software functionality and business needs. The key is

to minimize these gaps and add only those features that truly differentiate the company and provide a measurable benefit. Steer clear of systems that have gaps in basic functions such as parent-child lineage, dimensional inventory definition and one-to-many production capabilities. Generic, large-scale ERP platforms, while offering obvious cost benefits, can require significant customization to be adapted to the metals industry.

3 Poor Project Management—Many metals companies cite poor project management as another major ERP pitfall. Coordinating and overseeing internal and external resources and activities is an important component of a successful ERP program. Internal project managers with little to no relevant ERP implementation experience can cause issues when trying to manage the internal ERP implementation team. Companies' internal teams need to be actively engaged to avoid costly and time-consuming delays and surprises during eventual transition to self-sufficiency.

Appointing a competent internal project manager can help reduce these risks and make sure a project is successful. Companies should look for project managers with experience in technology projects or certifications such as project management professional (PMP). While it might be tempting to give a high-performing internal candidate the opportunity to grow into this role, it might not be a risk worth taking for a large-scale, transformative project.

Failing to plan is planning to fail. Implementing a leading ERP platform can modernize and transform the way a business is run and position it for growth. These opportunities don't come without cost or risk, but focusing on the competency of third-party vendors, the extent of requisite customization and the level of project management will help equip a business for success. ■

Crowe Horwath LLP, Indianapolis, is one of the top 10 public accounting and consulting firms in the U.S., providing technology solutions for the metals industry. For more information, visit www.crowehorwath.com/microsoft.