Best Practice Series - Effective Enterprise Systems & Processes
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Summary

In this article on the 4 Essential Factors that comprise the Path to Best Practices we focus on Effective Enterprise Systems and Processes. Having an effective software system coupled with functioning business processes is a critical *foundation* for performance improvement efforts.

If those who operate the company's internal processes must struggle daily with what the process is, because it is so riddled with "exceptions," must constantly be seeing a supervisors approval, or perform a do-it-yourself computer process with a spreadsheet, to name a few examples, it is almost impossible to achieve consistent, substantial, predictable forward progress. These are Basic Best Practices that must be established.

To form a *solid* foundation, a company's enterprise systems and business processes, (work flow), must meet several basic criteria:

- **Support the Business Strategy** – how well does the defined work flow, information systems, and processes support specific elements of the company's articulated strategy and objectives? Are there numerous disconnects or workarounds? Are the steps so generic that there is no obvious support for the business strategy? Is the strategy itself articulated clearly?

- **Be the System of Record** – today, the enterprise system's software functionality must encompass enough of the business process to form the primary repository of information for the company. It is the main source of auditable, dependable, coherent data about specific sales, customers, vendors, products and other company-critical information. With Sarbanes-Oxley, FDA, FAR, and other audits of information, it is essential that it "all be in one place."

- **Established Work Flow** – the overall work flow for the company must be coherent, not riddled with "exceptions" or depend on individual "hero" performance to work reliably. Just as critical is that it must be documented, and the documentation must match reality. Then, and only then can continuous improvement processes be initiated that can work well. If each improvement effort must start with a "what is going on here?" step, there will be little no forward progress.

- **Facilitate Communication** – we have found that in simple terms, information + work flow equals communication, between people in the overall sequence that comprises the business process. Information about an order, for example, moves through various stages until it is shipped, with people at each step informed as to what, specifically needs to be done.

Embedded Best Practices – A Reality?

Many ask us about Best Practices that "come with software" – this means that if they buy a certain software package, and implement it, the company will benefit by adopting better information and work flow methods. Or at least this is the idea.

We have found that while there is certainly a very good portion of truth to this concept, in reality there is a lot more to it than just "buy and install." Some variables:

- **Fit the company?** – there may be unique aspects to your company that make utilizing a "standard" business process difficult, or require "force-fitting" to get implemented. While it may make a "tough" manager feel powerful to order something to be "force-fitted" into use, we have been the

follow up to these all too often, and found that something altogether else results. People just end up working around the process they don't believe will work, weren't involved in up front, don't understand, and above all, don't feel any ownership for.

- **"Not invented here syndrome"** – the opposite of the fit issue is that the proposed best practice may actually be a major improvement, but people don't want it because they didn't think of it themselves. We have found this is simply another variation on the ownership issue. If those who are "resisting change" have the responsibility and are meaningfully rewarded for achieving these improvements, change will be their best friend. So, if this is going on, dig beneath the surface to identify the real issue, and you'll usually find it is ownership of the processes.

- **"Standard" is too generic** – some so-called Best Processes are so generic as to confer no real advantage for the user. An example might be a generic sales order entry process that doesn't take into account any of the uniqueness of the company's product offering. Yes, you can implement it, but will it improve anything? Would something now captured by the current method be lost in the process?

There are other factors, of course, such as the fact that you will, at best, achieve only parity with competitors or others by adopting the practices created by others.

Selecting Enterprise Software

The decision to replace a company's existing system is one of the most difficult, failure-ridden exercises that can be undertaken for a company. We have *never* met a CEO or senior manager who did not regard this effort as riddled with "landmines." Some of the landmines:

- Focusing only on software cost

- Focusing only on detailed functionality.

- Not conducting a formal requirements and issues study up front.

- Undocumented business processes (no "before" picture).

- Using a selection processes that is promoted as largely automated.

- Buying too much complexity.

- Decisions based on biased advice (from either internal or external sources).

- Decisions based on limited information.

- Emotionally based decisions.

- Not considering ability to implement and "live with" what is acquired.

And my personal number one landmine – lack of ownership. A selection team that does not have ownership of the decision, either for the selection or the successful implementation of what is selected. If someone else makes the decision – "corporate", a consultant, the IT director, a very loud-mouthed, dominant team member, the CEO, a Board member, investor, the CFO, or anyone other than those who must, in the end, *succeed* in their jobs with the new capabilities, the chances for failure to hit budget and schedule targets, as well as never realizing the imagined benefits, go through the roof.

Numbers vary, but between 50 and 75% of all enterprise software implementation projects encounter serious difficulties in implementation – large delays, cost overruns, and of course the worst, just never

realizing significant benefits from the effort. The downside is truly frightening to some – outright failure, bankruptcy of companies, or at least serious, major disruption of their ability to function – these have all happened often enough to be very real possibilities for anyone.

Conversely, if you get the ownership right, the risks are not trivial, but at least reasonable success is almost assured, because the team members will make absolutely sure they can succeed with, and will clearly envision how they will fulfill their responsibilities with what they are selecting.

Best Practice – Software Selection

Since having an effective enterprise system and processes that utilize the software properly are the foundation of the Path to Best Practices, the question that follows would be "what is the Best Practice way to select and manage enterprise software? While this is the subject for another Best Practice article in and of itself, here are the basic elements of the selection activity that, when present, form a Best Practice:

- T**eam ownershi**p – (we're getting redundant, again…) Only the team should perform the selection process, and make each step in the decision process.

- **Objective, fact-based, step-by-step proces**s – instead of one big, hairy decision, break it down into a series of understandable steps. Develop the appropriate level of detail for each sequential decision. Focus just on each step, ignoring for the moment, those prior and to follow. Insist on objective, independent data to support each step.

- **It's a *business* decision, not a technical one** – best made by business process owners. Use business due diligence thinking at all key steps, especially toward the end.

- **Business strategy driven** – understand where your company is going, how it will get there; use this to define the critical success factors that the software *must* be able to support well.

- **Similar company long list -** Generate a "long list" (less than 10 vendors) of established, stable vendors that have a large portion of their installed base in companies similar to yours – size, characteristics, business model.

- **Focus on differentiators** – decisions between alternatives are not made by reams of data points where all options are the same. Eliminate these and pay all of your attention to the truly vital few – the major, key functions that *must* go well for the business strategy to work well, and push the detail functions and factors into the background.

- **Utilize outside help** – at least to some degree. The best role for outside support is in the role of a facilitator, a coach in the process, to keep the team on track, out of the "weeds", and support the objective, fact-based process. Not having a coach is a lot like a baseball team that is "self-directed." You cannot do something and simultaneously observe how well you are doing it with any accuracy.

- **The process is what generates the result** – establish it, stick to it rigorously, and you'll be standing on solid ground with the final decision.

- In conclusion, getting your enterprise software and process foundation in place and on solid ground is essential to progress along the Path to Best Practices.