



# ERP IMPLEMENTATION

Guide for CFOs

What You Need to Know

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# SUMMARY

There are seven phases of an ERP implementation. These include planning and solution evaluation, configuration, customization, data conversion, integration, testing, and training. CFOs who are considering or have been tasked with overseeing an ERP implementation at their company will want to ask some basic foundational questions and put together a cross-functional team that includes key stakeholders in each department, a people-centric team lead, and experienced implementation partners who can help guide the process.

# INTRODUCTION

As a chief financial officer, you take the lead in understanding and managing your company's financial health. Because you are tasked with the overall financial wellbeing of your organization, you may be aware of the significant financial and operational benefits that come from having an enterprise resource planning (ERP) system in place.

Businesses that rely on an ERP system have seen significant increases in revenue growth and product availability. "SAP Business ByDesign allows us to exist in the market and grow as we have – 25% year over year." – Schoolhouse Electric & Supply Co. [read more]

ERP drives operational efficiency and creates new business opportunities by managing an organization's operations end-to-end and delivering a 360 degree view of a company. It also brings enhanced reporting, analytics and forecasting, key tools for financial management.

Upgrading or rolling out a new ERP implementation is a significant operational challenge, however. Because ERP systems are complex and serve as the nerve center for a business, implementation is a significant financial and logistical undertaking with many opportunities for delays, cost overruns and project creep along the way. Roughly 74 percent of businesses that undertake an ERP implementation exceed their original budget, according to research from Panorama Consulting, and 23 percent experience unexpected technical or organizational issues along the way. The ROI and operational benefits from an ERP implementation are significant, but so is the complexity.

THIS GUIDE CUTS THROUGH THE COMPLEXITY AND OUTLINES WHERE TO START IF YOU ARE A CFO CONSIDERING OR ALREADY TASKED WITH OVERSEEING AN ERP IMPLEMENTATION AT YOUR COMPANY.

# UNDERSTANDING THE ERP IMPLEMENTATION PROCESS

Implementing an ERP system is a complex and company-wide project that typically takes anywhere from four months to three years for completion, depending on the scope and needs of your organization. Key to making this process smooth is understanding the seven phases of a typical ERP implementation. These include planning and solution evaluation, configuration, customization, data conversion, integration, testing, and training.

SOME OF THESE PHASES CAN TAKE PLACE  
CONCURRENTLY, BUT ALL SHOULD BE  
UNDERSTOOD AND ACCOUNTED FOR IN THE  
IMPLEMENTATION PLANNING PROCESS.

# 01.

## PLANNING AND SOLUTION EVALUATION

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The first and most important phase of an ERP implementation is planning the implementation process and evaluating the various solutions on the market today.

# 01.

## PLANNING AND SOLUTION EVALUATION

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This process starts with a business case for the ERP implementation. Within this document will include a definition of the problems that ERP implementation is meant to solve, the assumptions around the business and its ERP implementation project, expected implementation costs and schedule, developmental and operational risks that could result from the implementation project, and the projected benefits of the implementation.

After the business case, you then will define the needs and specifications for the system and build out a work plan for the implementation that includes the specific tasks, dependencies, resources and timeline necessary for a successful rollout.

Part of that planning will include evaluating the various ERP solutions for appropriateness. There no longer is the need for hardware and maintenance considerations because ERP systems largely have moved to the cloud-based software-as-a-service model. But you still will need to review system qualities while scoping the system; not all systems are created equal.

In this system evaluation, you will look at ERP provider system qualities such as platform availability, overall capacity, performance, scalability, security, real-time data access, and serviceability (including upgrade implementation).

# 02.

## CONFIGURATION

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Configuration is the process of adapting the raw functionality of the software to your specific security requirements, workflows and preferences.

# 02.

## CONFIGURATION

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ERP systems provide a clear, connected set of processes that support your business, but many of them require adjustments for your firm's particular needs. This might include the roles used within the system, how tasks are tracked and reported, and things like shift-change setup, among many others. Even something as basic as defining a new company within an ERP system takes time and multiple steps.

Consider the adjustment and implementation of access requirements. To provide an extreme but illustrative example, most warehouse employees that need to update inventory levels will not require the access rights to change a customer's billing terms. This set up of access restrictions is just one of the many tasks performed during the configuration process.

In the typical ERP system setup, there are dozens and possibly hundreds of these system configurations.

The configuration process is about making your software support your workflows, rather than the other way around. That's why each group in your organization must take ownership of the processes they need configured to complete their job.

This configuration takes a significant investment in time both for understanding each group's businesses processes, and for making the appropriate configuration adjustments. That's why configuration is a phase entirely unto itself.

# 03.

## CUSTOMIZATION

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ERP systems support a wide variety of functions and processes used throughout a business. But rarely do they support all the particular needs of an organization, especially when processes are homegrown or divergent from industry best practices. System configuration can address many process and functionality needs, but there also usually is the need for some ERP system customization.

# 03.

## CUSTOMIZATION

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Customization typically occurs in two forms: Through adjustment of settings and configurations of the core ERP systems, and by altering the underlying software code or adding to it through custom-coded modules programmed for your particular business.

Setting and configuration adjustment is the recommended configuration path whenever feasible because custom programming requires additional and ongoing software maintenance by or on behalf of a business. There also are additional security demands around custom code because the ERP vendor is not monitoring and maintaining these modifications.

Still, organizations often choose some level of programmatic customization for mission-critical business processes that either are too ingrained or part of the company's competitive advantage.

Software partners generally handle most customization since the vast majority of ERP software is not open source. In certain industries and situations where core system configurations do not provide the necessary functionality to meet your requirements, customization is well worth the investment.

# 04.

## DATA CONVERSION

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As with all business systems, ERP software is only as good as the data it holds. Importing your existing data is an important phase of the implementation process, every bit as important as planning and process configuration.

# 04.

## DATA CONVERSION

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Unfortunately, the painful truth is that there often is no standardized format for the data your business will import into the new system. This is especially true for financial data. Your current database tables that track accounts payable, for instance, will not magically match the tables in your new system.

Reformatting exported data into a new format, or the even more challenging task of manually inputting data, can be a tedious and cost-prohibitive undertaking. Data conversion represents a significant and sometimes time-consuming step in the ERP implementation process. Mitigating this challenge are tools and data migration services both from vendors and third-party providers. Vendors may have ported existing data in the past and already developed software utilities to speed the process.

Each industry and business is unique, but some examples of business data that will need importing include inventory records, job summaries, invoice histories, financial statements and balance sheets, among others.

# 05.

## INTEGRATION

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An ERP system sits at the center of your business, but it isn't the only software used at your company.

Most businesses require integration between their ERP system and other software solutions. The integration phase establishes how your new ERP system will communicate with your existing software platforms and third-party solution providers.

# 05.

## INTEGRATION

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E-commerce solutions are a good example. You'll almost certainly want data from your e-commerce platform flowing into your ERP system and updating tables such as inventory and billing, for instance. This connection between your e-commerce platform and your ERP system is integration.

One important consideration when planning your integrations is where your business will need automated, real-time updates between systems. With real-time integration, changes in one system reflect immediately in the other. The passing of this data can happen in many ways, including through pre-existing connections offered through your software vendors, application programmer interface (API) layers, and custom development.

From a reporting and functionality perspective, real-time integration is notably better. Real-time integration ensures that data within your ERP system is always current, an important factor for reporting, analytics and overall business agility. It also reduces the chance that data silos will develop among your various software systems, which lessen the utility of your ERP investment as the system or record.

Real-time integration may not always be technically feasible or justified by cost, however. The most common workaround is batch integration, the passing of data groupings from system to system at set time intervals. One example of batch integration is when you manually export data from a spreadsheet into another software system.

While potentially less expensive to set up, batch integration can create issues where different data exists in two different systems until the reconciliation has been triggered. Breakdowns in this batch integration process also can lead to data silos, as noted above.

# 06.

## TESTING

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One of the ERP integration phases often overlooked is the testing phase.

# 06.

## TESTING

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After your new ERP system has been installed, configured, customized and integrated with your other systems, you'll need to set up a testing environment to ensure that the implementation performs as expected and all critical conditions are met by the system. Data conversion will already have been defined, but in this testing environment you will only use a sample of your company's actual data. The full data import will occur after testing is complete and before the system goes live.

DURING THE TESTING PHASE, YOU WILL VERIFY SEVERAL KEY COMPONENTS OF YOUR NEW IMPLEMENTATION.

### DEVICE ACCESS.

Is the system accessible and fully functional when accessed from desktop computers, tablets and smartphones? Are all devices and operating systems used within your company supported by the implementation, including any bring-your-own devices that may be allowed?

### ADEQUATE DATA THROUGHPUT.

Does the implementation have fast enough data connections and connection redundancy, so the system is accessible at all times both for employees and integrated systems? Is data throughput adequate for every location where employees or internet-connected devices will interface with the system?

### USER PROFILES AND PRIVILEGES.

Are there proper definitions for every user profile, and does each profile have correct access privileges within the system? Do access controls make logical sense for each role?

# 06.

## TESTING

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### SECURITY.

Is data secure end-to-end within the system, both with encryption in transit and at rest? Do threat detection systems capture and report anomalies and unauthorized access? Are access controls properly restricted for each module, granting access only to employees who need it for their job function? Are integrations sufficiently secure, and is security in compliance with any applicable industry regulations?

### DATA BACKUP.

Are backup and restore systems functioning as specified, and are they running at regular intervals? Is this backup data stored securely in the cloud?

### BUSINESS PROCESSES.

Does the implementation capture all business processes and workflows within the company, so employees do not create workarounds outside the system? Does the implementation meet the needs of key stakeholders in each department touched by the system?

### SYSTEM PERFORMANCE.

Are operational tasks and integrations all performing as expected within the system? Are there any configuration or customization errors?

# 07.

## TRAINING

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Even before the ERP implementation is complete, you already should be organizing employee training around the system. Both in the testing environment and after going live with the system, training is critical for ensuring that all employees understand both the reasons for the new system and how to use it.

ERP solutions are complex, wide-ranging business information systems. Training and practice on the new system before go-live is critical, and ongoing training boosts adoption and proper utilization.

# 07.

## TRAINING

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Unfortunately, many companies fail to recognize this vital component of the implementation process, which leads to slow adoption and sometimes perceived failure of the system. Inadequate training and education often is the weakest link in the implementation process.

BECAUSE TRAINING IS A CRITICAL COMPONENT OF THE ERP IMPLEMENTATION PROCESS, PART OF YOUR PROCESS IN EVALUATING POTENTIAL ERP SOLUTION PROVIDERS SHOULD INCLUDE EXAMINING THEIR TRAINING RESOURCES.

### LIVE TRAINING.

Are there train-the-trainer education sessions? Do they offer individual one-on-one training for employees? Are there options for live web training sessions so remote employees and those in locations far from the corporate headquarters can get adequate training?

### SELF-SERVE RESOURCES.

Does the provider have a comprehensive library of video tutorials that cover how to use each major function and feature in the system? Is there a product community that exists around the platform, and are there forums where employees can get answers to their product questions?

### SYSTEM SANDBOX.

Is there a sandbox testing environment with live company data where employees can learn the new system and play with features without the fear of impacting the actual production environment?

# BUILDING YOUR TEAM

CENTRAL TO THE SUCCESS OF YOUR ERP  
IMPLEMENTATION IS HAVING THE RIGHT TEAM  
IN PLACE.

This starts with engaging stakeholders within each department of your business and having at least one person from every department involved as part of the implementation team. ERP systems touch every area of a company, so consultation and the involvement of department heads helps ensure that all needs and business processes are clearly understood before implementation begins. Company-wide involvement also goes a long way toward building awareness of the new system, its value proposition, and why employees should adopt the system when it goes live.

Changing work habits and adopting new software goes against human nature because people are creatures of habit. So winning the hearts and minds of employees throughout your company is important for a successful rollout.

So is nominating a capable project team lead within your company, someone who understands and can steward each phase of the project while not losing sight of the overall implementation plan.

# BUILDING YOUR TEAM

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A good project team lead will have some managerial and project management experience, as well as confidence when digging into technical details and specifications. Equally important is someone who can take a cross-departmental view of the implementation and work with stakeholders in each department on defining both the vision and needs of the project, as well as making sure that those needs are adequately met. This individual will champion the rollout and clearly articulate the value proposition of the implementation to everyone within the company, so people skills and good communication are as important as technical background and project management experience.

In addition to guiding the overall implementation, the project team lead will liaise with vendor and implementation partners who may be involved in the implementation.

Along with key stakeholders and a good internal team lead, you will want an experienced implementation partner who can help guide your ERP planning and handle tricky technical issues around configuration, customization, data conversion and integration. ERP implementation projects are notoriously tricky, and they often suffer from project creep. Having an experienced partner with dozens or hundreds of implementations under their belt often makes the difference between a smooth rollout and one plagued by challenges.

Both ERP vendors and third-party implementation partners can play this role, but make sure at least one of them is on your team from the beginning.

# IMPLEMENTATION STARTS WITH QUESTIONS

IF THE IMPLEMENTATION PROCESS SOUNDS COMPLEX AND OVERWHELMING, THE GOOD NEWS IS THAT THE JOURNEY STARTS WITH SOME BASIC QUESTIONS.

You'll want to start by asking where and why your business needs a new ERP system, how you can account for all the implementation factors that will lead to a successful rollout, and how you will know if an ERP solution integrated with your current information system environment. This gets you thinking about the overall implementation process and how it relates to your business.

You'll then want to ask what parts of the implementation can be handled internally, and what requires outside support. This will help define the people resources you need within your company, and where vendor or implementation partner support is required.

You'll also want to ask how you will evaluate implementation partners, and what their proposals should cover. This will help clarify the process for getting outside support and jumpstarting your implementation.

# PUTTING IT ALL TOGETHER

Upgrading or rolling out a new ERP system is a big, complex, company-wide project with several specific phases. It also happens to be worth the effort, delivering efficiency, cost savings and competitive advantage for your business.

Delivering a successful ERP implementation requires careful planning, a cross-functional team composed of key stakeholders within your company, a good team lead, and implementation partners to guide you through the process.

WITHOUT THESE ELEMENTS, AN IMPLEMENTATION CAN QUICKLY TURN INTO A CFO NIGHTMARE. WITH THESE IN PLACE, HOWEVER, ERP IMPLEMENTATION IS A JOURNEY TOWARD ADDED PROFITABILITY AND A SIGNIFICANT LANDMARK IN YOUR COMPANY'S EVOLUTION.

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