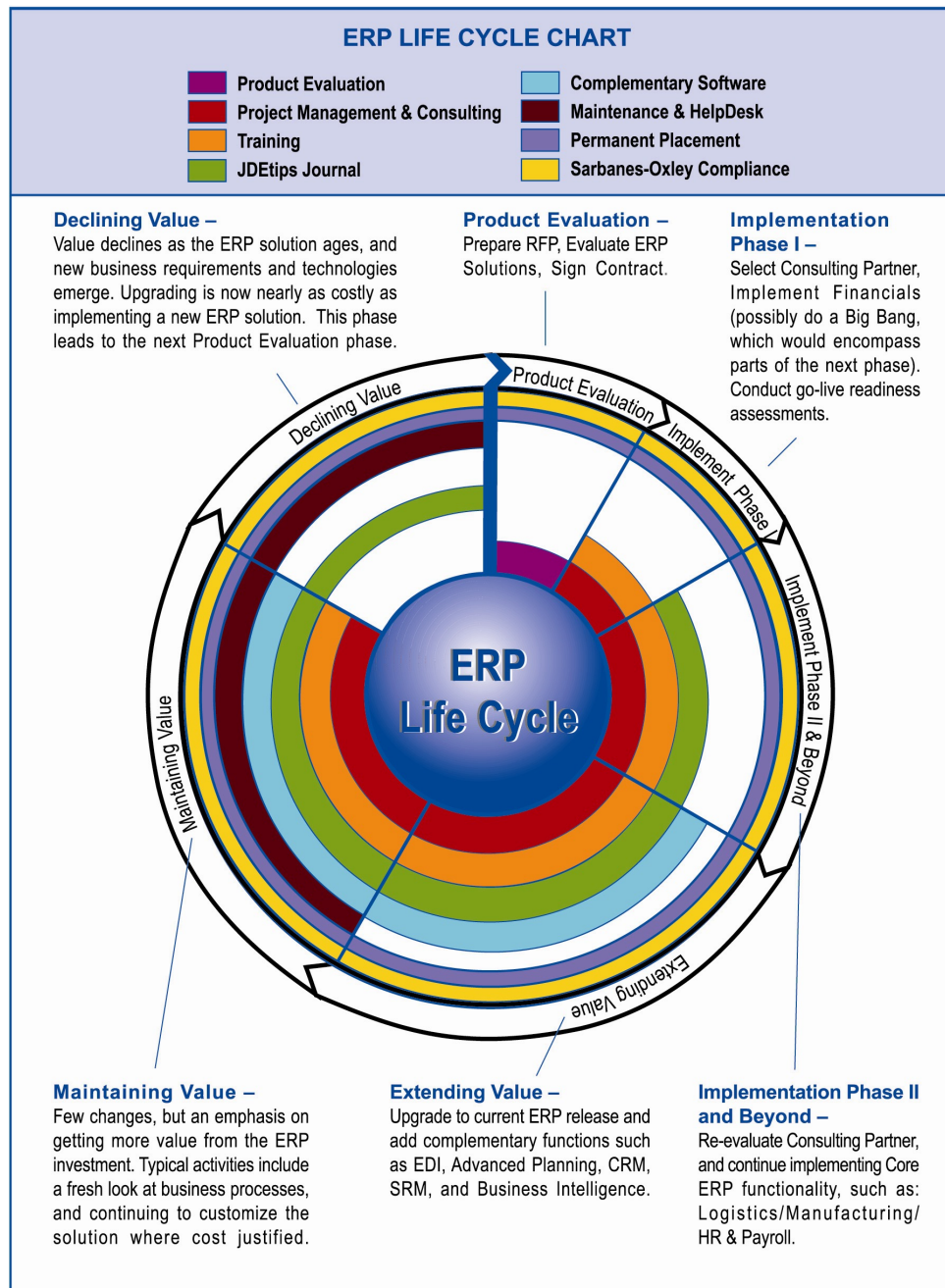# The ERP Life Cycle: From Birth to Death and Birth Again

by Andy Klee, President, Klee Associates, Inc.

As a long time JD Eddie (employed by JD Edwards from 1989 to 1998), and now CEO of a JDE and SAP services firm, I've seen the ebb and flow of ERP from the vendor point of view for 16 years. A few months ago, when we decided to announce third party maintenance services for JD Edwards World clients, I had a creative flash, and decided we could tell our story visually with an ERP Life Cycle graphic. Working in tandem with our in-house Marketing guru, Tamara Klee, this was the end result.

ERP LIFE CYCLE CHART

- **Product Evaluation**
- **Project Management & Consulting**
- **Training**
- **JDEtips Journal**
- **Complementary Software**
- **Maintenance & HelpDesk**
- **Permanent Placement**
- **Sarbanes-Oxley Compliance**

Declining Value –
Value declines as the ERP solution ages, and new business requirements and technologies emerge. Upgrading is now nearly as costly as implementing a new ERP solution. This phase leads to the next Product Evaluation phase.

Product Evaluation –
Prepare RFP, Evaluate ERP Solutions, Sign Contract.

Implementation Phase I –
Select Consulting Partner, Implement Financials (possibly do a Big Bang, which would encompass parts of the next phase). Conduct go-live readiness assessments.

Maintaining Value –
Few changes, but an emphasis on getting more value from the ERP investment. Typical activities include a fresh look at business processes, and continuing to customize the solution where cost justified.

Extending Value –
Upgrade to current ERP release and add complementary functions such as EDI, Advanced Planning, CRM, SRM, and Business Intelligence.

Implementation Phase II and Beyond –
Re-evaluate Consulting Partner, and continue implementing Core ERP functionality, such as: Logistics/Manufacturing/ HR & Payroll.

First, of course, I checked Google, to see if anyone had already created a graphic that explained what I had envisioned. . Nada. So what you see above is actually original work.

I chose the names of each phase carefully, along with the brief explanations. In this article, I'll expand (and expound) upon the graphic, to give you my view of each phase. Remember my bias—we provide ERP services—but I'll try to be objective about the entire cycle, so that the CIOs and IT managers who are reading this can get some useful takeaways.

Product Evaluation

Raise your hand if you don't already have an ERP solution. OK, I see that only a few of you haven't already been through this. . But let's pretend this is your first time through. I'm sure most of you know the typical stages you are about to go through. Here are the six stages of a typical IT project:

1. Wild Enthusiasm
2. Total Confusion
3. Fear and Uncertainty
4. Search for the Guilty
5. Punishment of the Innocent
6. Promotion of the Uninvolved

Interesting! I just noticed there could be a 1-1 correspondence between the six stages and the six phases of the ERP Life Cycle. Coincidence? You be the judge. ☺

Here's the takeaway: Is it worth thousands of your staff's hours to evaluate a package to the nth degree, or is there another way to do it?

If I called the shots, I would bring someone in (oops, there's my ERP services bias again), and have him or her conduct a one day workshop with all the executive VPs in my firm to hammer out the key requirements that really make a difference. This is the time to ask hard questions about how much functionality (and customizing) you really need.Here's an example of what I mean: Who cares at this point if the pricing module does "best pricing" at this point? How about if we find out if the pricing module supports quickly and relatively easily adding price components that respond to characteristics of the Item, the Customer and the Order?

I would then issue an RFP to 10 prospective vendors, and ask them to respond with screen shots and text describing how to handle each key requirement. (Screen shots are good for those of us that fall asleep reading boring text.).

OK, let's then rank and frank. Rank the responses, and speak frankly with the ERP software vendors. Tell the top three that they have one day to demo their stuff. Have those VPs and key IT staff in the room for those demo days. Talk functionality and technology. And just as importantly, talk corporate cultures. Is this vendor someone you want to do business with? Will they be responsive when you've got a dead-in-the-water situation? Does the vendor have a culture that wants to do a fantastic job taking care of their customers? Can they give you examples where they've done that before?

OK, are we after a perfect fit here? No. 90%? Yep, that'll work.

Implement – Phase I

Did you decide to just let your software vendor do the implementation, without interviewing other consulting firms? Oh, they told you that they were the best, because they wrote the software?

With all the turmoil in today's ERP market, many of the best consultants are *former* employees of an ERP software firm. Many of the best have gone independent and set up their own shops, or aligned themselves with a larger group of independents. This may just be my "independent ERP services" bias, but I figure independents are in a position to offer the best price/performance ratio. The best consultants, at a fair price, are often independents.

I'm not suggesting that you turn your implementation over to Joe Consultant, who has never managed and staffed a large project before. But do yourself a favor and invite at least one independent firm to the dance. You may find that they offer the same caliber of consultants but without the "big firm" markup. Who knows, it might be a start of a beautiful relationship. And (to carry the analogy a bit further) even if you don't wind up in bed together, at least you might have some good dates (er, shorter term engagements). .

And a word on training. This is my all-time favorite mistake clients make when they implement a new ERP solution. Does the thought of week after week of classes at the vendor's headquarters prior to getting your hands on the software sound familiar? Do the donuts and ice cream breaks really make up for all the lost productivity? Can the mind endure what the behind cannot?

Here's what I recommend to clients instead. First, ask your consultants to give your implementation team an onsite four or five day overview of the entire software solution, encompassing Financials, Logistics, and Manufacturing (assuming those are the areas you are implementing). Have them do some simple transactions all the way through, so you get an integrated view of the entire solution. By the end of that week, you should have a pretty good idea of how the Design to Build, Procure to Pay, and Order to Cash cycles work.

More detailed, module-specific training can be delivered "just in time". Suppose you have a team working on the Order to Cash portion of your implementation. They might start by educating the consultants on how they do business today (the "As-is") and together they will explore how they could do business in the future (the "To-be"). At some point in these discussions, the need for more training will emerge, and the consultants can schedule several days of hands-on training, at your site. The objective is to give you enough training to get started setting up the model of how your business will run with the new software. Ask them to save the more advanced topics for later; you'll have enough on your hands just trying to absorb the basics.

Sometime during this phase, you'll ask the consultants, "do you think we'll go live in December?" To which one them will respond, "yes, but not this December."

Implement – Phase II and Beyond

OK, you've gone live with a portion of your total solution (unless you did the big-bang approach where you go live with Financials, Logistics, and Manufacturing all at once). After a rough go-live period, things have settled down for six months, and it is time for Phase II.

Depending on how Phase I went, you might need to find a few new team members for Phase II. If it went badly, some of your best internal resources will probably have embedded themselves in places where you can't get to them.

This might also be a good time to reevaluate your consulting firm. If you weren't happy with them during Phase I, you aren't likely to be happy with them in Phase II. At the very least, get one or two other estimates for Phase II.

Extending Value

Remember all those promises that you made to your key business users and the executive VPs? Bob Buyer wants to have automated approval routing for requisitions. Sally Sales wants that

"Sales on a PDA" thing she was promised, so that the salespeople can take orders on a PDA. Ed Exec VP wants that BI Scorecard so he can drill and grill.

So this is one of the longest phases—several years at least until the value has been fully extended. The reason? These "extensions" might start small, but as you build value, you may want to go further, and when you consider all the functionality entailed in true supply chain management, CRM, and Business Intelligence, all of which can be tied back into your core ERP system - that's a lot of project work. And these days, most companies want to pace themselves and get a return for each product extension along the way.

During this phase you'll grow to know and love, excuse me, know the vendor's Help Desk. This is where you call in and talk with a new employee who knows very little about the software or how it is used in the real world, but they have a good list of snappy responses like: "That's very interesting, I didn't know it could do that," or "Can you send me screen shots for that?" or "I don't know, but I'll find out and get back to you," or "Would you like fries with that?".

After a few such calls you'll take the high road and realize that you are giving back to the ERP community by providing training for a new employee, even if he or she isn't your employee. Or you'll just stop calling and fix the problem yourself, even if the coding changes never make it back to the mother ship.

Maintaining Value

We are now 5-7 years down the road from that rosy dawn of the new age of your ERP solution. We're in maintenance mode now. We just want another 5-10 years of life out of the system. We know that our business needs change over time, so we'll go ahead and do necessary enhancements and integrations to add incremental functionality.

Once in a while an old-timer (i.e., someone who has been there for the whole project), whips out his ROI calculator, and tries to figure out if this whole project actually made sense. Simon and Garfunkel's "Sounds of Silence" plays in the background.

One day someone notices that you've been paying 22% of the current software price (not 22% of the discounted price you paid) for annual maintenance. Hmmn, let's see. That's about $100,000 for W2s and $100,000 for 1099s, and $100,000 for Vertex updates. Gosh, that sounds like a lot. You find out that third-party maintenance firms exist, and some of them have a good track record of keeping their clients running on the software at a fraction of the former maintenance fees.

You figure that going to a third-party maintenance firm makes sense, so you investigate the alternatives, and select the firm that fits your needs. Your ERP vendor's sales rep stops calling you, but not before he sends you a nastygram telling you that you'll have to pay 150% of back fees to get back in the club. You whip out your trusty ROI calculator, and realize that after 4 years you'll have enough saved up to buy a new solution anyway.

Declining Value

Your business is changing, and there's some cool technology out there that you have to have. Give it a few years to settle down. Remember CommerceOne and Ariba?

Time passes. The dollar savings are adding up. The business needs continue to change. The house of cards held together with Band-Aids is starting to come apart. It's time to appoint a new ERP Czar to head up the next swing through the ERP Life Cycle.

Ready for another 10-20 years? This time we're really going to do it right!

Andy Klee is the President of Klee Associates, Inc. Established in 1998, after Andy's decade long career with JD Edwards, Klee Associates publishes the JDEtips and SAPtips Journals, read by thousands of IT staff and key business users at over 600 SAP and JDE clients. Klee also runs successful consulting, training, permanent placement, and 3rd party maintenance practices. Learn more at www.ERPtips.com.