**THE BOTTOM LINE**

Nucleus identified five mistakes customers commonly make when searching for and implementing a new enterprise resource planning solution. Whether deploying a central system of record for the first time or upgrading from a legacy system, staying on schedule and within budget can be undone if something goes wrong. In analyzing enterprise application deployments over the past few years, Nucleus highlights mistakes to avoid and why.

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The difference between a successful enterprise resource planning (ERP) system implementation and a failed one can be small. Although businesses may experience significant benefits when undergoing the digital transformation that is promised by ERP vendors, there are several areas where customers can err, resulting in significant costs to the organization and a poor return on investment (ROI). Based on the cases Nucleus has analyzed over the past few years, here are some common mistakes to avoid.

**MISTAKE 1: BITING OFF TOO MUCH**

When building a business case, companies should first develop a good understanding of what they need from an ERP system. Although completely transforming a business over a period of months (if not years) may sound like a worthwhile endeavor, in the cases Nucleus has analyzed, trying to do everything all at once can spell disaster for a project. Fault frequently lies with the vendor or the implementation partner who promises to be able to give the customer everything and the kitchen sink without observing the bounds of what is feasible, let alone realistic. As a result, it often falls to the customer to set bounds on a project and take a measured approach of what can be done.
Gone are the days of the “Big Bang” implementation. The most successful projects we’ve analyzed are phased and focus on the low hanging fruit in the initial phase. Because users are tasked with doing their regular jobs while learning and using a new system, decision makers should ask themselves: “what do I need to keep my business running while we transition to the new system?” Try to do too much and the organization can feel the consequences. The project timeline can get stretched and the day-to-day business may suffer. Developing the right scope to a project is a critical starting point for any implementation.

**MISTAKE 2: THINKING ALL PARTNERS ARE THE SAME**

The companies in the market for a new ERP system are as diverse as it comes: from professional services to process manufacturing to distribution to retail. As a result, finding the right implementation partner that understands your business is critical. Though companies are wont to keep consulting costs low, the penalties in lost time and resources for organizations that must switch partners mid-project can be enormous.

Although customers should look to leverage out-of-the-box capabilities, many organizations need a partner that can guide them as they transition workflows from the old system to the new one. In almost all the cases we’ve analyzed where there were major delays and cost overruns, the implementation partner was at the center of the issue, requiring the vendor to step in and rectify the situation.

**MISTAKE 3: IGNORING THE 80/20 RULE**

When customers are deploying a new ERP system in the cloud, Nucleus has found that many customers find that 80 percent of their needs can be met by out-of-the-box capabilities, with the remaining 20 percent requiring additional configuring by implementation partners and internal personnel. This approach requires organizational change management as many of the employees’ tasks could be completely different from how they were done with the old system.

While change management is a buzzword thrown around by vendors, the necessity for an organization that has been operating on a legacy system to manage the changes in how it runs its business are very real and are frequently the most difficult and time consuming part of a deployment. However, undertaking change management is better than allowing employees to dictate how they want the system configured to suit their needs. Acquiescing to every work request from every
department will lead to longer deployments and costly consultant invoices. As a result, organizations should try to leverage as much of the functionality out-of-the-box as they can; Nucleus has found they’ll save time and money in the long run.

**MISTAKE 4: PRIORITIZING SPEED OF DEPLOYMENT**

Customers deploying their ERP to the cloud should expect faster implementations compared to what they experienced deploying on premises. But prioritizing speed can lead to costly errors or even a failed implementation despite the improved ease of deployment with cloud systems. In analyzing the cases, Nucleus found that overly aggressive timelines contributed to poor outcomes.

Many customers who have implemented ERP systems before still have nightmares about how difficult it was and how much time it took. While users are understandably looking to avoid the same experience, firms that take the time to better understand how the workflows that are available out-of-the-box can fit their business needs save time in the long run.

**MISTAKE 5: NOT CONSIDERING CLOUD**

For as much as embracing change management can lead to a positive return on investment for an ERP deployment, organizations that ignore the benefits of the cloud when building a business case can do the opposite. In analyzing the data, Nucleus found that cloud deployments average 69 percent higher ROI and payback period 33 percent faster than those deployed on premises. While the benefits are often similar for cloud and on-premises deployments, the costs differ drastically and are the main driver of the difference in ROI.

Personnel costs on an ongoing basis for on-premises deployments averaged 64 percent of the overall ongoing costs, whereas personnel averaged only 38 percent of ongoing costs for cloud deployments. To control for the size of deployment, Nucleus looked at the proportion of annual benefit relative to the initial and ongoing costs. Initial costs constituted over 50 percent on average annual benefit for on-premises deployments compared with only 37 percent for cloud systems. The data show that the difference between cloud and on-premises systems is not just in their respective returns and payback period, but rather how much of a burden they are from a management and maintenance perspective.
FINAL WORDS

An ERP system should function as the central system of record for the organization. As a result, ensuring that it can function in that capacity is more important than how fast it was installed or how much of the organization’s core functions are supported by it when it first goes live. Unlike other parts of the business technology ecosystem like human capital management or customer relationship management, a failed ERP implementation can cripple an organization if it isn’t done well and done well the first time.

Additionally, because at the end of the day, it will be people using the system, understanding the barriers to adoption – individual, hierarchical, structural, and cultural – and understanding how best to overcome them is critical to the success of the deployment. Those techniques vary widely from organization to organization, but one thing is consistent: without proper training and change management, shadow systems that preserve the inefficiencies of how things used to be done will persist, regardless of whether the organization opts to move to the cloud or remains on premises.