

# Need of Post Implementation Audits for ERP Implementations



## Applies to:

All ERP implementation specifically aimed at SAP. For more information, visit the [Enterprise Resource Planning homepage](#).

## Summary

This paper emphasizes on the need to mandate any SAP ERP implementation with post implementation audits for ensuring that the impact of the new system has a positive impact on the overall business of the client for which the implementation has been done.

**Author:** Sachin L Rao

**Company:** LG CNS India

**Created on:** 6 April 2010

## Author Bio



I have been working in SAP for over 7 years with my areas of consulting being in Materials Management, Supplier Relationship Management and Warehouse Management. I have also worked in the automobile domain for over 4 years in the areas of Production Planning, Engine Assembly, Management Information System and Purchasing. My SAP experience, have worked on 2 implementation, 2 roll outs and 2 support projects. I am currently working in Competency where I am instrumental in designing solutions for the clients requirements and providing high end consulting in the areas of supply chain management.

## Table of Contents

|                                      |   |
|--------------------------------------|---|
| What is this all about?.....         | 3 |
| Why Mandate this Approach? .....     | 4 |
| Take Away .....                      | 5 |
| Related Content.....                 | 6 |
| Disclaimer and Liability Notice..... | 7 |

## What is this all about?

We in the manufacturing industry have been hearing a lot about Enterprise Resource Planning (ERP) in general and SAP in particular. SAP is one such robust application in the manufacturing domain that it has become synonymous to ERP, though there are many other ERP applications in the market, SAP is still the market leader and still penetrating the market across the world.

SAP as an ERP application has been used by various industries and has cut across various verticals. This has been found to be very helpful in addressing many of the organizational key concerns and has been beneficial in -

- Aligning the organizational strategies and improvement in the overall operations of the organization
- Augmenting productivity by improving operational efficiency
- Increased flexibility in the operations resulting in the overall reduction in cost
- Easy to incorporate the ever changing dynamics of business into the organizational strategy and operations
- Overall reduction in risk
- Improvement in the overall financial management and corporate governance
- Greater control and optimization in the IT spending
- Higher return on investment on the IT spend

Based on the benefits many of the organizations go in for the implementation of any ERP product or services and very rightly look forward to get the stated advantages and reap on it to improve the overall business.

The point which interests all the key stakeholders after the completion of the implementation is “Has the benefits which were stated and based on which the decision of going in for the implementation taken, has been attained” and if so how much of the benefits attained can be quantitatively put forth which will give a complete understanding to all the concerned that the implementation of ERP was not only the right decision but the best under the given technological advancement in business and also the ever changing competitive business environment.

## Why Mandate this Approach?

To be beneficial, implementation of any new ERP-based company operating system must have a tangible return or results that exceed the cost of the software, hardware, and human resources put together and required to implement the system. Although everyone performs a cost analysis for the software and hardware and to some extent on the resource, that is where the exercise typically ends. Most companies never perform a cost benefits analysis at any other point during an implementation or after the implementation is said to be technically complete.

The basic purpose of coming up with this document is to outline that even though after the successful implementation of any of the ERP system the actual benefits and advantages which were listed will not be met completely and moreover the quantitative representation of these cannot be made. This will not make the key stake holders appreciate the functionalities of the implemented ERP system and thus robust ERP like SAP will not be exploited to the core which will really not justify the implementation of such a product.

The root cause of this particular situation where in the key stake holders are not in a position to appreciate any kind of quantitative or tangible benefits. The cause lies in the lack of quantifiable objective or purpose of the management which is clearly conveyed to the key stake holders to implement the new ERP system.

It has been seen that the basic mindset of the management to start off any new implementation project of a new ERP system is for the following reasons -

- Our current system is not good enough to support our current business needs and requires a lot of customization
- The management has just asked us to implement any new ERP system and as we have heard a lot about SAP want to go in for that
- We have the approval for the new system and also substantial budget to support it

These types of considerations which substantiates the reason for implementing a ERP system at the time of decision making for implementation is the main reason for not getting any tangible or quantitative representation of the benefits of the ERP system.

No audits or checks will be beneficial if the initial objectives of the organization going for the new ERP implementation is not clear. There should be clearly listed points stating the objectives of this initiative which should be on a broader level and in line with the organizational long term goals. The organization should always have a quantitative representation of the goals they have to achieve so that the actual benefit can be clearly documented and the effect of the implementation readily seen.

If we consider an ideal scenario and feel that the organizational goals are clearly articulated and documented, yet the implementation which is done by some of the system integrators(SI) will not be deploying the system based on the clearly articulated objectives. There will be several gaps which the SI's will come to know over the period during the implementation and after it.

Once the ERP system is implemented completely any organizational need to measure the performance of the system against the goals and objectives set up prior to the implementation of the system. These should be in quantifiable terms.

Statistically, only 30% of companies know the cost of any given project, and I'm guessing only few of companies actually go back and measure the outcome to determine whether the goals were achieved or not. This indicates the real issue is lack of accountability, rather than whether the implemented ERP delivers on its promises or not. Companies need to get handle on the before and after situations to properly evaluate the impact of any implementation.

For this very reason there is a strong need to measure the overall effectiveness of the implemented ERP system should be audited to see the manner it has been implemented and to evaluate that all the functionality which was captured and documented during the AS-IS and to TO-BE process has been mapped into the system. This effective mapping of the system has to be measured with the actual benefit which has been derived by this and also to what extent the derived benefits aligns with the organizational objective.

The main purpose of the post implementation audits after the implementation has the following objectives

- To check whether all the business process has been mapped into the new ERP system which is in line with the business best practices
- To analyze how well or effectively the non standard ERP processes, if any pertaining to any specific industry was implemented
- To come out with the cost benefit analysis of all the standard and non standard processes by comparing the actual business processes before and after the implementation
- To gauge the effectiveness of the new ERP system
- To come out with the Return On Investment report after the audit
- Recommend process changes to augment operational efficiency
- Give a detailed roadmap on how the new ERP system can be optimized and streamlined for attaining organizational objectives

The post implementation audits should be treated as a pure consulting assignment where in some of the experienced ERP consultants having both domain and product experience to be engaged for this. It would be preferable to engage the consultants who have domain knowledge in the particular business for which the post implementation audit is done but is not mandatory.

The typical time for such engagements will not exceed 3-4 weeks , but again depends on the business and its complexities for which this implementation has been done. It is always advisable to have the post implementation audits done immediately after stabilization period of go-live and should be a mandatory activity and should be included as a part of the implementation activity.

The final deliverable for this assignment will be some of the following

- Detailed presentation of the AS IS and TO-BE system at a high level
- Business benefits in terms of operational efficiencies
- Return On Investment(ROI) variance
- Cost Benefit analysis
- Scope of business and system improvement to have a positive impact on ROI

## Take Away

The cost of this activity should be a part of the budget for implementation. This will finally give a heads up to the management on whether the decision to go for the ERP implementation was justified with the particular SI partner. This also gives you an insight on how much of variance lies between the ROI stated and actual data as come out by the auditing engagement . This audit also gives a list of improvement areas which will increase the system utilization and decreases the total cost of ownership.

Thus it will have to be a mandate for any clients going in for any ERP implementation to have a post implementation Audit. This will no doubt give a greater understanding on the quality of implementation but also give the implementation partners to be on the toes throughout the implementation cycle and after that.

## **Related Content**

[http://www.thespot4sap.com/Articles/SAPImplementationRisks\\_4.asp](http://www.thespot4sap.com/Articles/SAPImplementationRisks_4.asp)

<http://www2.imakenews.com/vizletter/SAPROI.pdf>

## **Disclaimer and Liability Notice**

This document may discuss sample coding or other information that does not include SAP official interfaces and therefore is not supported by SAP. Changes made based on this information are not supported and can be overwritten during an upgrade.

SAP will not be held liable for any damages caused by using or misusing the information, code or methods suggested in this document, and anyone using these methods does so at his/her own risk.

SAP offers no guarantees and assumes no responsibility or liability of any type with respect to the content of this technical article or code sample, including any liability resulting from incompatibility between the content within this document and the materials and services offered by SAP. You agree that you will not hold, or seek to hold, SAP responsible or liable with respect to the content of this document.