

## Tips for managing ERP software consultants

When implementing an ERP system or any other software package, selecting the right software consulting firm and individual consultants to assist with the project is critical. However, even with the best ERP consulting services, many organizations mistakenly assume the consultants will manage themselves.

Software consulting costs typically represent the single largest IT project expenditure for a company, with by far the highest budget risk. But when ERP software consultants are not properly managed, the total cost of the project can get even pricier.

In addition to consulting cost overruns, many companies are surprised to discover that their ERP consultant's assumptions, designs and solutions are way off the mark. Therefore, having a plan to manage ERP project consultants is just as important as selecting the right ones.

### **ERP implementation services contracts**

Effectively managing ERP software consultants begins with the implementation services contract. The following are a few tips to keep in mind when negotiating the fine print:

- **Identify nonbillable items.** Partners or practice leaders of the firm should provide periodic guidance to clients, but their time should not be billable. Remember, they are executives of the firm and have a major stake in project success that goes beyond the billable hours of the moment.  
For all ERP consultants, nonbillable time should include travel time, breaks and lunches, communications with other clients while engaged with your project, and travel expenses that exceed reasonable limits.
- **Do not pay for ERP software consultant learning curves.** One can hire a good application consultant, but he or she may not be familiar with a new implementation tool to be used on the project. This is not necessarily a problem if the company gets a reduced rate while the consultant is cresting the learning curves.
- **Off-site work must be preapproved.** Any work ERP consultants plan to perform off-site should be approved in advance by the client project manager to avoid invoice surprises.
- **Do not agree to the administrative fee markup on the invoice.** Never agree to pay the firm's administrative time and supplies costs relating to a project. These are the firm's cost of doing business, and the ERP consultants will most likely use their client's materials and supplies.
- **Retain the right to terminate without termination charges.** With reasonable advance notice, the company should retain the right to terminate any ERP consultant at any time, and for any reason, with no termination charges.

## **Nailing down the software scope**

When identifying the application software to be installed, many practitioners only list the software modules included in the project. However, each module has optional features and functions within it that should be addressed when scoping the project. Without this level of scope definition, a consultant could spend days or weeks setting up certain software capabilities that client management has no intention of using.

## **Responsibilities of the organization vs. those of ERP consultants**

While working together as a team is imperative, it is in everyone's best interest to understand the responsibilities of the organization versus those of the consultants. Defining the *primary* responsibility for each project deliverable – which includes as-is analysis, conversions and testing -- takes the mystery out of who is doing what. This helps avoid schedule slippage and budget overruns due to unclear roles, or consultants performing the work the client should be doing.

## **Properly budgeting and scheduling ERP consulting hours**

All too often, clients allow consultants to work a fixed number of days per week with a limited understanding of whether those hours are truly required. Over the long run, this unnecessarily increases consulting cost. Once hours are available to consultants, most will use those hours -- perhaps not in the most productive fashion.

The best practice is to first establish the number of hours budgeted for each week for each ERP consultant based on the major project activities planned each week and the consultant's responsibilities. With this method, the hours will vary over time and the consulting budget will be more realistic.

The second step is to manage the *actual* ERP consulting hours consumed. Every week, the client project manager should review the budget status and near-term plans for each consultant, and schedule their hours for the next three weeks. This approach closely links the actual release of hours to the consultants while taking into consideration what is actually occurring on the project instead of on earlier schedule and budget projections.

## **Making software knowledge transfers happen**

One of the biggest unfulfilled promises on ERP projects is the consultant's promise to transfer software knowledge to the client. An organization that has inadequate knowledge of the software cannot fully participate in the design and setup of the system, and will incur higher-than-necessary consulting costs during and after go-live.

In order for the transfer of knowledge to occur, the client team and consultants must understand it is a priority. It also requires up-front ERP project team training and a client that is ready, willing and able to jump into the software and learn it. This type of learning occurs when the team has major responsibilities in the design, setup and testing of the system, as well as in training all end users. ERP consultants that are willing to delegate tasks to the project team are also a necessity.

## **Fixed price or progress payment contracts**

On these types of projects, you will get something for the price or progress, but it is important to understand what "something" means. It is all about what is to be delivered for the price.

While the items listed below are also important for "time and material" projects, with fixed or progress payment engagements it is important to dig deeper into the details before signing any contract. If not, the result will be costly project change orders. The list includes the following:

1. Project assumptions and constraints,
2. Project scope,
3. Software rollout strategy,
4. Implementation processes and content of key deliverables, and
5. Project roles and responsibilities for each deliverable.

Courtesy: Steven Phillips from [techtargget.com](http://techtargget.com)