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Five Steps to delivering a successful ERP system



A person wearing a red hooded jacket, black pants, and a large black backpack is climbing a snowy mountain peak. The person is seen from behind, holding a climbing tool in their right hand. The sun is shining brightly in the clear blue sky, creating a lens flare effect. The snow is white and the overall scene is bright and clear.

ERP transformation: insurmountable hurdle or essential step to a modern and efficient business? Oaklin Partner Danny Kelly shares our experiences on what it takes to make an ERP programme successful.

1. Effective leadership and governance

Establishing effective leadership of an ERP programme from the outset is critical. Senior managers must simultaneously set the strategic direction for the programme and hold the purse strings. Without unwavering direction, the broad nature of any ERP programme means it will flounder as changes to scope arise that conflict with limits on resources and unresolved questions from business users.

It is imperative that a well-planned and coordinated governance structure is in place from the earliest stages, when business requirements are being collated. This ensures that sponsors are involved in, and supportive of, the strategic decisions which will impact the programme throughout its duration. Clear visibility and tight control of every aspect of the programme is critical and must be a priority for leaders from the start.

According to Panorama's 2015 ERP Report, 53-percent of ERP implementations realise less than half of expected business benefits they anticipated from the new ERP software, and 11-percent of ERP implementations have not yet recouped any costs. (Panorama Consulting Solutions, 2014)

Stakeholder Management

Strong leadership is needed to identify and continually manage the relationship with senior business stakeholders, who are charged with stewarding the introduction of the new ERP solution to their respective parts of the business. Once these key individuals are identified, they must be provided with clear information about what will change and when that will happen. Educating these stakeholders with information about the programme, its scope, benefits, potential risks

and issues, is critical if coordinated communication, training and the wider change effort is to be effective. It is the responsibility of programme leaders to get their business stakeholders onboard as early as possible.

Ensure senior stakeholders own the business case

Rather than being a one-off document used to obtain Board approval for the programme, the business case should be central to both design and execution. The programme stakeholders should feel a continuing obligation to meet the stated benefits in the business case and programme leadership should evaluate and manage every decision about scope and cost against this accountability. As a programme moves into execution, the value delivered by the programme should continue to be measured against the expectations in the business case. This should be reported to senior stakeholders, right through to project closure. Senior stakeholders should feel an ongoing accountability to drive the benefits realisation and ultimately, they should feel they have delivered the benefits promised to the business. Delivering on time and to budget is often at the forefront of leadership concerns, but delivering the business benefits associated with the newly aligned process and ways of working is equally important. Only by making the business case the central leadership document can either set of priorities be achieved.



2. Sound programme management with the right resources

Resource the programme with the right people

The first step in any programme is to secure the right resources to deliver it. It is essential that the programme is resourced with sufficient numbers of staff dedicated to its delivery, which will often mean full time participation. The calibre of these people should also be among the best available.

It is important that the team is put together prior to product selection and definitely before the final solution is agreed. Avoiding the temptation to make early decisions centrally to speed progress, prevents delays further into the project, where the impact of taking more time to revisit early decisions is significantly greater. Taking the time to get the right staff onto the programme from the outset saves time overall.

Ideally, the programme should be staffed with a mixture of senior, experienced people, from both functional and technical domains, as well as more junior staff acting in support. It is important that staff seconded from the business should not feel their career progression is at risk. It is the responsibility of programme leaders to ensure that the people on the project teams are motivated and see the programme as an opportunity to develop new skills and accelerate their career. If it is worth doing, then the programme will be driving fundamental change in the business and the whole team working on it should feel their contribution is valued.

As the team is put together, consideration should be given to ensuring that all areas affected by the programme are represented. Corporate business units, Finance, HR, Stores and Logistics, as well as IT, should all feel they are part of the team. Where appropriate, all brands and geographies should also be represented. It is never easy to obtain resources, but a balanced, experienced and knowledgeable team, dedicated to the ERP implementation, is more likely to produce a closer match to business requirements, and thus a successful outcome, than any other team structure.

Have a programme plan and manage it effectively

The time and resources required to deliver a large-scale ERP implementation should not be under-estimated. Managing enterprise scale change demands adherence to a rigorous and proven programme management methodology. Even an 'average' ERP implementation will take 12-18 months, or even longer, and will require input from resources from a wide variety of business units and functions. A central programme plan, managed by a team experienced at delivering ERP programmes, is a must if all the disparate threads are to come together in sequence. Establishing a structured and methodological approach to planning and management is also important if all the various projects, sub-teams, vendors and consultants involved are to work to a common and shared understanding of timeline and approach.

As potentially the largest and most expensive programme of change in a business at any one time, it is not surprising that many ERP implementations fall into the trap of assuming that other projects will 'fall-in' with their programme methodology. This tendency, coupled with the pressures of launching and running an ERP implementation, often means that other projects which will affect implementation are inadequately considered, or even ignored. From the outset, the programme leadership should seek to identify the other changes happening in the business and their potential inter-dependencies. This is only possible with a robust and clear programme plan, through which other project teams can understand what the ERP programme will be doing.

Most businesses find that an ERP implementation requires such focus and commitment of resources that a reduction in the number of other projects running in parallel is the only way to sustain delivery. In our experience, it is good practice for programme leaders to go beyond simply identifying other projects in the business, they should lobby hard to stop those that will prove too great a draw on resources to run alongside the ERP implementation. Never a popular case to make, but essential if a realistic focus is to be brought to the ERP challenge.

Resistance to change is the biggest stumbling block to the success of ERP implementations and an array of different local project plans will make it impossible to pull together a coherent understanding of the whole. Inconsistent local plans increases the complexity of the subsequent roll out and change management effort during implementation. One planning method, applied to all parts of the programme, allows for a roll up to a single overarching programme plan, which is the only way that programme leaders will be able to make an informed assessment of progress and priorities.

3. Clarity around vendor management

Accurately assess business requirements

Before engaging vendors it is critical to ensure that the business requirements of the ERP suite are accurately determined. Thorough and consultative definition of requirements will help ensure an optimal fit between the solution required and the solutions offered. This, in turn, will minimise, or ideally eliminate, any future changes in scope and potentially system modifications which add capital and ongoing cost to the programme.

Actively manage changes in scope

Once a programme plan has been developed and interdependencies with other projects in the business have been identified and incorporated, rigorous change control should be established. Allowing customisation during the programme adds cost and complexity. Selection of the suite that most closely matches the business requirements, rather than the latest sensation in the ERP world, goes a long way towards avoiding these costs. Programme leaders should stand by the original business requirements, or make clear the consequences of creeping change. Changes in scope should be tied back to additional benefits and only given the go-ahead if they are proven through the change control process.



Be clear about vendor roles and responsibilities

Attempting to manage an ERP implementation in what is often a multi-vendor environment is fraught with the potential for confusion and tension. To navigate this complexity, it is essential to be up-front in contract negotiation and explicit in terminology. From the outset it helps to be clear about who on the client team owns which relationships with suppliers and at what levels, for example at work-stream, project, programme and executive sponsor levels. Where more than one vendor is involved, the more clarity that can be provided at the contracting stage the easier it is to ensure that potential touch points and hand-offs are understood before they cause contention or gaps. Being up-front about roles and responsibilities will help avoid confusion later. As things get more complex and the number of vendors increases, a centralised vendor management function, within the programme office, can be well worth the extra investment in terms of better outcomes from improved contract, resource and performance management.

4. Good understanding of the data in legacy systems

Start data management early

Companies in the modern age are rarely short of data. This makes the migration of existing data to the new ERP suite a fundamental step to success. Old data is often not 'clean', either through incorrect data entry, duplication, past work-arounds, or, most often, through the lack of common standardised processes across functional areas. Because ERP systems consist of many integrated modules, the management of data quality and ongoing maintenance is critical to the success of the entire system.

Data management activities must be started sufficiently early in the programme to allow a working data set to be collated, allowing sufficient time for cleansing within the programme plan. As well as time, this work must also be awarded sufficient resources and senior stakeholder involvement to ensure the correct decisions are made about cleansing data. It is equally important to ensuring a standardised data management process is developed and implemented to ensure that data quality does not start to slip again as soon as the new system is implemented.

Expecting an IT department, or a third party or vendor, to just 'manage' this process and cleansing activity is naïve. Failure to involve the business in the clean-up and management of their own data could end in disaster for the programme.



Dedicate sufficient resources

This link to continuity of understanding is also important when it comes to the link between legacy systems and the new ERP programme. We often encounter situations where IT departments have outsourced their application support to external suppliers who do not have the expertise, or the in-depth knowledge of how data elements are stored and how the flow between other linked systems works. Having the right level of knowledge and understanding of legacy data sources is often over-looked at the time when application outsourcing contracts are negotiated. If this is the case, it will cause lengthy delays to ERP programmes, necessitating project teams to build an understanding of legacy data sources from scratch. As with any complexity or delay, this leads to increased costs as former IT staff, who understand the data and the way that it is used, are brought back at higher rates through the contract market. The selection of people who understand legacy systems and data at the outset of the programme pays dividends when their knowledge of what legacy data does and how it is used, becomes paramount.

5. Addressing the change management challenge

Build a change network

It is the impact on the people who will use a new ERP system that, regardless of actual improvements to system, really defines whether a programme is a success. If effectively implemented an ERP system will often replace some staff, which makes the task of engaging the staff who remain even more difficult.

Meeting these difficulties head on is essential and although leading from the top is important, momentum to support the new system must also be achieved within the community of end-users who will be impacted by the change. Pulse groups, consisting of a sample of these key individuals from all affected business functions, are an excellent way of spreading the word to the wider community. Hearing about change from peers helps to build support amongst the affected staff and provides essential feedback to those in the programme that is visible to staff. If managed well, this can alter perceptions away from worries about technology taking jobs, building instead a culture of support for greater efficiency and opportunity for all. After all, it is only by making staff enthusiastic about harnessing the efficiencies of a new system that business benefits can be realised.

Pulse groups can also be useful for measuring progress by the business through its change journey. Seeking regular feedback from pulse group members provides a 'temperature check' of the business's readiness for the go-live date.



Communicate, communicate, communicate

Communication with all impacted individuals and groups is key. From briefings to the Board, to the end-user community, support staff, stores, distribution centres and third party suppliers. The frequency and content of communication to all should be defined early in the programme and a clear, informative and consistent delivery of information should be maintained for each target audience in the business.

The format of these communications will depend on the nature of the business. For example, the needs and facility for communication within a large retail business will be different to a small, innovative, high-tech telecommunications company. In the former group presentations, poster campaigns and newsletters may be appropriate, whereas in the latter Instagram, Twitter and e-post cards may be more effective. Whatever format the communication takes, there are two golden rules: firstly, don't underestimate how much communication is needed to get across simple messages about the changes and benefits of the programme; secondly, ensure the content of the communication is focused on 'what's in it for me?'. If individuals understand how their jobs will be impacted and why the changes are taking place, they are more likely to embrace the change.

It is equally important to remember that communication works both ways. The programme must ensure there are opportunities for staff affected by the change to provide their views. Be it in discussion workshops with the leadership team, via pulse groups, or through other mechanisms, feedback should be valued and used to generate specific action plans that are seen to address concerns wherever possible.

Set-up the organisation to work in the new way

Does the organisation have the right talent and structure to make the best use of new business processes and technology? Typically an ERP programme will generate massive changes in an organisation, often including changes to jobs and working practices, or even eliminating jobs altogether. The programme team must carry out impact assessments as early as possible, to understand how people's roles and responsibilities will change. These changes need to be managed in conjunction with HR experts and be sensitive to the nature and degree of change.

Embed training to get the best out of the new systems

As the business benefits of a new system will only be delivered if users are utilising it efficiently and adopting new working practices, it is essential that training needs are identified as early as possible and a comprehensive training strategy developed to meet them. This needs to be done in conjunction with any organisational changes that are taking place as a result of the programme, as training requirements will be driven by role and responsibility changes, as well as system and process changes.

Don't forget about people post go-live

There is always a temptation to see 'go-live' as the point at which the job is done, but often this is where the hard work begins in earnest. The programme team need to be ready with 'super users' empowered to deal with issues and provide on-site support after go-live and on an ongoing basis. Only once the changes are thoroughly embedded and staff content with their new roles and working practices can the job really be considered complete. Monitoring the delivery of business benefits, user satisfaction and areas for continuous improvement will help reassure programme sponsors that the elusive return on investment will be realised and ensure that the ERP implementation is seen as a success.

Conclusion

Our experience has shown that the challenges associated with ERP implementations are not insurmountable. With robust programme management, strong leadership, attention to data, clarity around vendors and ownership of the change, there is no reason why 'ERP Implementation' should strike fear into the hearts of those involved. Heeding the hard won lessons above should help deliver a successful ERP implementation, with a tangible return on investment and the potential for a transformation in efficiency in any business.





Get in touch

Please contact Danny Kelly, Partner at Oaklin, if you would like to discuss the issues raised in this Insight, or how Oaklin could help your business to deliver a successful, integrated ERP programme.

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