

The map from ERP to ROI



An Enterprise Resource Planning (ERP) system is more than an IT system. It's a way of doing business.

The challenge is to use the IT functionality in your ERP to support your business processes and functions in the best way. The other part of that challenge is preparing your people, and your organization, to adopt the new ways of working for sustained success.

Most organizations don't know if they are achieving the ROI they wanted from their ERP system. That's why we created this map.

We studied ERP projects and programs that successfully drove digital transformation and business success, so that we could identify the most important phases and themes that teams need to follow. Whether your organization is implementing a new ERP or upgrading or optimizing your existing ERP, this map can help you build in business value from the very beginning. That way, you can achieve real transformation and real returns on your investment.

Now, let's get to work.



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ERP implementation

Every ERP journey needs to factor in a company's unique business goals, risks, culture, adaptability and other factors. However, there are 10 things that every ERP implementation needs to confirm up front:

- **Visible and active commitment** from top management
- **Alignment** on project objectives and guiding principles by key leaders and influencers
- **Implementation resources** from the business and IT allocated to support the work
- **Full-time project management**, including a Project Management Office (PMO) if there are multiple workstreams
- **Proven methodology** and project approach
- **Full-lifecycle user involvement** to create system buy-in and support
- **Realigned business processes** that best leverage the new system's capabilities
- **Structured and integrated change management** approaches and tactics
- **A detailed implementation plan** with a team that makes it happen
- **Timely decision-making** throughout the project, with templates to document key decisions

If the above seems simple, note that more than 90% of the organizations we surveyed rated themselves poorly on 5 or more of these ERP implementation criteria. To take your ERP all the way to full ROI, it's important to acknowledge these criteria before you proceed with your methodology.

Once you confirm that you have the right support, alignment and other foundational requirements, you need a comprehensive methodology. This methodology will help you see the benefits from an implementation or re-implementation. It can even help you identify the changes you should make to optimize an existing ERP.

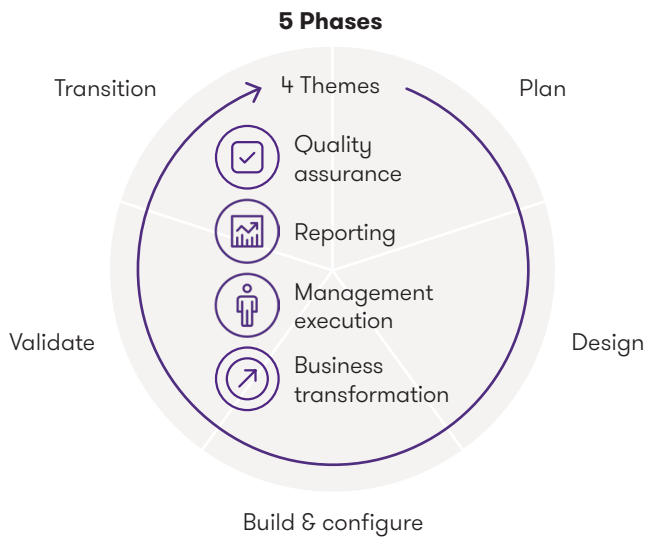
Planning and execution are equally important, and a proven methodology will address both of them sufficiently.

To empower your business, an ERP must go live and then go beyond — it must drive business transformation. At a high level, your methodology needs to:

- Incorporate best practices throughout the implementation
- Provide the expertise and leadership to ensure business transformation is addressed and supported by the system
- Maximize configuration while minimizing customization
- Accelerate the traditional implementation approaches with deliverable templates and built-in ERP and third-party tools
- Leverage Agile development principles to help end users and stakeholders visualize and experience the application through regular involvement and feedback
- Integrate change and quality management activities, from day one and throughout the project — many organizations ignore, or choose to avoid the cost of, change management and their efforts are doomed from the start

The 5 phases

The implementation methodology can break down into five phases, with four central themes that lead your teams through the phases to success.



1. Plan phase

The planning phase includes the administrative and organizational steps to initiate the project. It sets the foundation for the entire implementation by confirming the strategy, scope, executive alignment, timeline and project member roles and responsibilities. Planning is where we define what success looks like. Is it quality? cost? schedule? What are we trying to accomplish? It also defines guidelines and standards for project documentation, communications, and tracking issues and risks.

The planning phase is also where you finalize the project team, including the Business Process Leaders (BPLs) and Subject Matter Experts (SMEs) who will be the business leaders helping to design and implement the ERP. It's critical to identify the right people to fill these roles, and to provide support for their day-to-day jobs, so that they can focus on the project. If the wrong resources, or resources who don't have time to focus, are assigned to the project, the implementation will not achieve its objectives.



The planning phase includes the following key activities, deliverables and milestones:

Activities	Deliverables	Milestones
Identify implementation approach	Organizational impact and readiness assessment	<ul style="list-style-type: none"> • Project kickoff • Project fully resourced • Initial instance provisioned
Finalize project scope	Scope definition	
Complete project planning	Project work plan	
Define team structure and identify team members	Project resource plan	
Define project management processes	Project standards/on-boarding Change management strategy	
Conduct project kickoff		
Instance provisioning		
Complete stakeholder identification and analysis	Stakeholder identification and analysis	
Develop communications strategy and initial key messaging	Communications strategy and program key messages	
Determine instance strategy	Instance strategy	

Common difficulties in the planning phase:

- Rushing through planning to get to design:
The team is often excited to start solutioning on the new design, so they don't invest the time and effort needed to fully plan and align the project for its intended value and outcomes.
- Underestimating the time required to do things the right way:
Phase-gate and go-live dates should be based on the amount of time needed to do things the right way and complete all objectives. If the timeline is based on an arbitrary date, key activities will get dropped.
- Identifying the wrong resources to serve as BPLs and SMEs:
These are the resources who will inform the future design, and they need to have a deep understanding of current and future status business processes.

2. Design phase

The design phase includes interactive workshops where project team members define the “to-be” processes that best support the target operating model for the business and that use the leading practices for the software. The team will discuss various application design topics with stakeholders as the organization determines the appropriate configurations that support these “to-be” processes and reporting needs. The team develops data conversion and integration specifications, initiating iterative conference room pilot sessions to further understand the future-state processes and solution.

During this phase, the project team needs to focus on the short-term and long-term strategy of the business and how

that could impact business processes as well as potential roles and responsibilities. The ERP design should support the current business model, but with flexibility and adaptability built in to address potential changes in the future (like a new acquisition or product line). It’s also important to understand the capabilities of the system, so they can be used most effectively. Often, project teams will “repave the cow path” and implement the same business processes with a new system and technology. This misses a huge opportunity for transforming, automating and simplifying the business with the tools in the new ERP. However, new processes require new ways of working and behavior changes for end users. The best-designed system still needs employees to use the new system — so, design with the end in mind.

The design phase includes the following key activities, deliverables and milestones:

Activities	Deliverables	Milestones
Define data conversion strategy	Data conversion strategy	<ul style="list-style-type: none">• Specifications for data conversions and integrations complete• Iterative application design and conference room pilots initiated
Conduct future state process workshops	Future state business process flows	
Conduct application design workshops	Application design	
Define integration needs	Interface strategy	
Define reporting strategy	Reporting strategy	
Specify data conversions and interfaces		
Data security design	Security matrix	
Establish stakeholder management	Communication plan Leadership roadmap	
Conduct iterative conference room pilot		



Common difficulties in the design phase:

- **Master data management:**
Try to address your data as a prerequisite to your implementation. Trying to cleanse, standardize, and stage data during your implementation is a recipe for chaos.
- **Security:**
Many companies struggle with setting up security in ERP. Make sure that compliance is at the focus of your security design and remember that roles and security profiles are master data too. Don't minimize the effort needed for security design. Allocate sufficient time in your design phase.
- **Not bringing end users along for the journey:**
When people feel included, informed and welcome to provide input, they will have less shock and more buy-in about the new system.
- **Focusing on "the way it's always been done":**
If you automate a problem, it just gets faster. Your ERP implementation is an opportunity to transform business processes for the better. Your team should challenge existing processes and always look for how new system capabilities could lead to improvements. During design, invest your time in the future state. Focus on the strategy of the business and the future business model. If you get sucked back into the current state, you might never leave. Prioritize automating processes in your design. When companies go through an ERP implementation without designing for automation, they are doing themselves a significant disservice. As Bill Gates said, "Automation applied to an inefficient operation will magnify the inefficiency."

3. Build and configure phase

This phase is where the team fully configures the application while continuing the iterative conference room pilot sessions for all end-to-end business processes. This is where you finalize the design, and the team can see how individual business functions make up the end-to-end processes. While most of the design should be complete at the end of the design phase, the conference room pilots provide the opportunity to make final changes, optimize the design and confirm organizational and stakeholder impacts or changes.

The team builds data conversion extract programs and interfaces, preparing and cleansing data conversion import files for the first data conversion run. The team also initiates testing and training planning activities, gathering end-user feedback to gauge impact and readiness.

The build and configure phase includes the following key activities, deliverables and milestones:

Activities	Deliverables	Milestones
Perform full application configuration	Configuration blueprints	<ul style="list-style-type: none"> Fully configured test instance available First data conversion run completed
Continue iterative conference room pilots		
Prepare data conversion files & develop extracts	Data conversion extract process and import files	
Develop integrations	Integration code	
Initiate test planning	Configured test instance	
Initiate training planning	Training strategy	
Update stakeholder impact assessment	Stakeholder impact assessment	
Conduct additional stakeholder readiness pulse check	Readiness results	
Execute first data conversion run		
Review Reports		
Continue communication and engagement	Communications plan, leadership roadmap and associated collateral	



Common difficulties in the build and configure phase:

- Locking down the design too tightly or not at all:
There are going to be changes from the conference room pilots, so the team should anticipate and build time for those. This will lead to a better design and enhanced capabilities for the business as well as great end-user buy-in and confidence. On the other hand, you do need change control in place to review those requested changes and assess the benefit to the business versus the impact to the project. Too much design change at this point could derail the project timeline completely and erode confidence.
- Not allowing enough time for integration development:
Building integrations from the ERP to other systems is often complex, but it is a critical component of the end-to-end business processes. The team needs to allow ample time for these to be fully specified and developed.
- Not focusing on change management:
Many project teams think change management will slow them down and is only needed at the end of the project. In reality, change management should be a focus throughout the entire project — to inform, prepare and drive the adoption of the coming change. A system and associated process only drive value if they are used.
- Underinformed development team:
Do not assume that your development team can handle all functional areas just because there is a specification. Many projects incur bottlenecks because development resources are creating financial, manufacturing, logistics, HR or payroll reports, but they don't understand the metrics or processes in those areas. Don't just hand out reports to be developed — make sure the team is structured to handle each area (such as aligning developers with functional leads) and ensure that development prioritizes key items to be ready for early testing phases.

4. Validate phase

The validate phase focuses on executing the validation plan to test all facets of the ERP and its associated business processes. Key stakeholders and users create and execute validation scripts to ensure the application design is complete and accurate. The team validates data conversions and develops playbooks to ensure a repeatable conversion process during the production transition. This phase includes multiple rounds of iterative validation testing to ensure that all processes work end-to-end and with all third-party systems that integrate with the ERP.

This phase also needs to include regression testing for any changes, or when issues identified in prior testing rounds have been fixed. Regression testing should cover the entire process in question, to make sure that a change in one area doesn't have a negative impact in another.

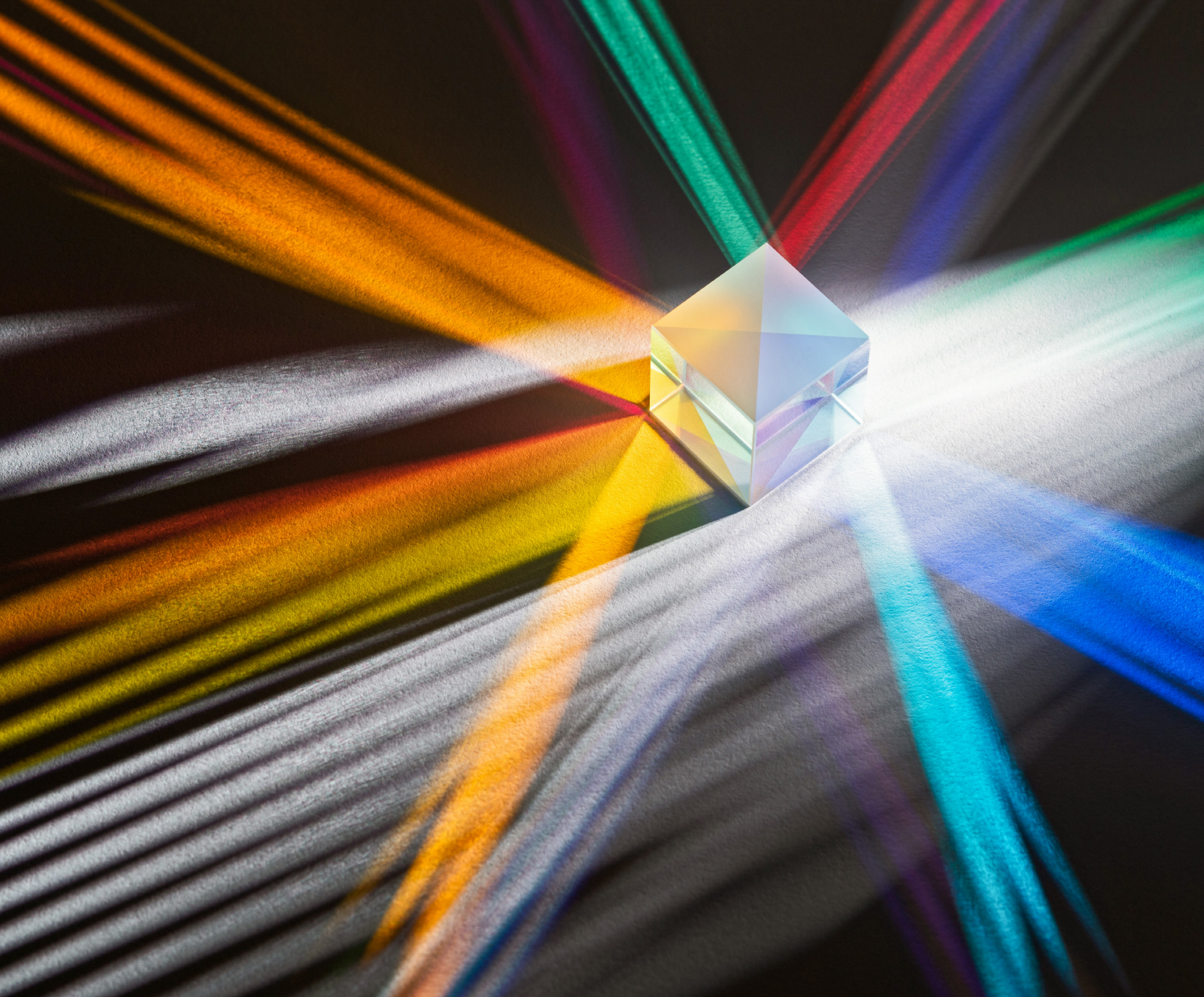
It is important to confirm and finalize the upstream and downstream contextual process changes that might occur outside of the system, along with role or responsibility changes that might be needed for end users.

The validate phase includes the following key activities, deliverables and milestones:

Activities	Deliverables	Milestones
Finalize validation strategy and plan	Validation plan and scripts	
Develop validation scripts		• Second data conversion run completed
Execute second data conversion run	Data conversion validation artifacts	• Application validation completed
Execute validation plan	Application validation results	

Common difficulties in the validate phase:

- Not focusing enough attention on critical business processes:
While all processes need to be tested end to end, the project team should identify the areas that are most critical to business success, or where there's the highest probability of a failure, and ensure that these areas are given the most attention during validation.
- Not including the right business resources in the definition of validation scenarios and scripts:
This is an easy way to miss an important business process, until you find out after go-live that it doesn't work.
- Prioritizing issues incorrectly:
All validation issues need to be prioritized correctly, so that the team knows where to focus first. Otherwise, they can spend too much time on a small issue while overlooking something critical. For the companies that really want to knock it out of the park and set themselves up for the future, don't just prioritize regression testing — automate it. Automate the scripts, so that anytime functionality is touched (such as for future functional or technical upgrades), you will have a utility that informs you of any nonconformity.
- And remember, validation is a science, not an art. Do it right.



5. Transition phase

The transition phase starts the assessment of the organization's readiness to go live, as well as evaluation and approval of the strategy for a successful migration. It's also when end-user training prepares users to adopt the new ways of working, teaching them how to use the new system and processes. Once the team successfully migrates data to the production instance, it transitions operations to the new system. This phase also includes pointing all third-party

integrations to the new ERP and ensuring that production data is flowing back and forth successfully.

The go-live is often a stressful time, with the team working hard to make sure that the system is ready for cutover. It's important to have strong leaders who are fully committed to the project, and who can lead the team through this phase successfully.

The transition phase includes the following key activities, deliverables and milestones:

Activities	Deliverables	Milestones
Finalize training materials	Training materials	<ul style="list-style-type: none"> • Third data conversion run completed • Application validation completed • Go-live readiness sign off • Go-live
Schedule and conduct end-user training		
Finalize cut-over plan	Cut-over plan	
Conduct go-live readiness review and stakeholder readiness pulse check	Go-live readiness report including stakeholder readiness results	
Finalize and socialize post go-live support expectations	Post go-live support procedures	
Continue communication and engagement	Communications plan, leadership roadmap and supporting collateral	
Configure production instance		
Execute cut-over plan		
Provide post go-live support		
Conduct lessons learned workshops		
Publish and finalize training material repository		

Common difficulties in the transition phase:

- **Insufficient go-live support:**
Make sure your team is ready to provide enough support. Immediate post-go-live support typically continues for six weeks or more during system stabilization. This “hypercare” support lasts through the anticipated end of the first accounting close on the new ERP. To provide post-go-live issue tracking and resolution, the project team should initiate an “issues and requests” list on the designated tracking system.
- **Insufficient business preparation:**
Many organizations fail in ERP implementations because they spend the majority of the time getting the software ready for the business and the minority of their time getting the business ready for the software. While you will never please everyone, don’t fail to listen to the business and its end users because you are pushing to hit a go-live without a stable system. That might not lead to disaster, but it will lead to decreased productivity, increased frustration and minimized adoption.
- **Insufficient user preparation:**
The transition phase is your opportunity to enable and empower your users. Take advantage of this phase and invest the appropriate time in education and training to get the most out of the software and truly drive the intended value. Software implementations aren’t just for organizations to have a shiny new tool — they are meant to drive business outcomes enabled through the system, which can only be realized when end users adopt the system and new processes.

The 4 themes

The five phases will deliver a successful functioning system, but these phases need to be complemented and supported by four main themes throughout the project. The themes are your insurance policy for ROI, and the following sections explore each theme in detail.

1. Quality assurance theme

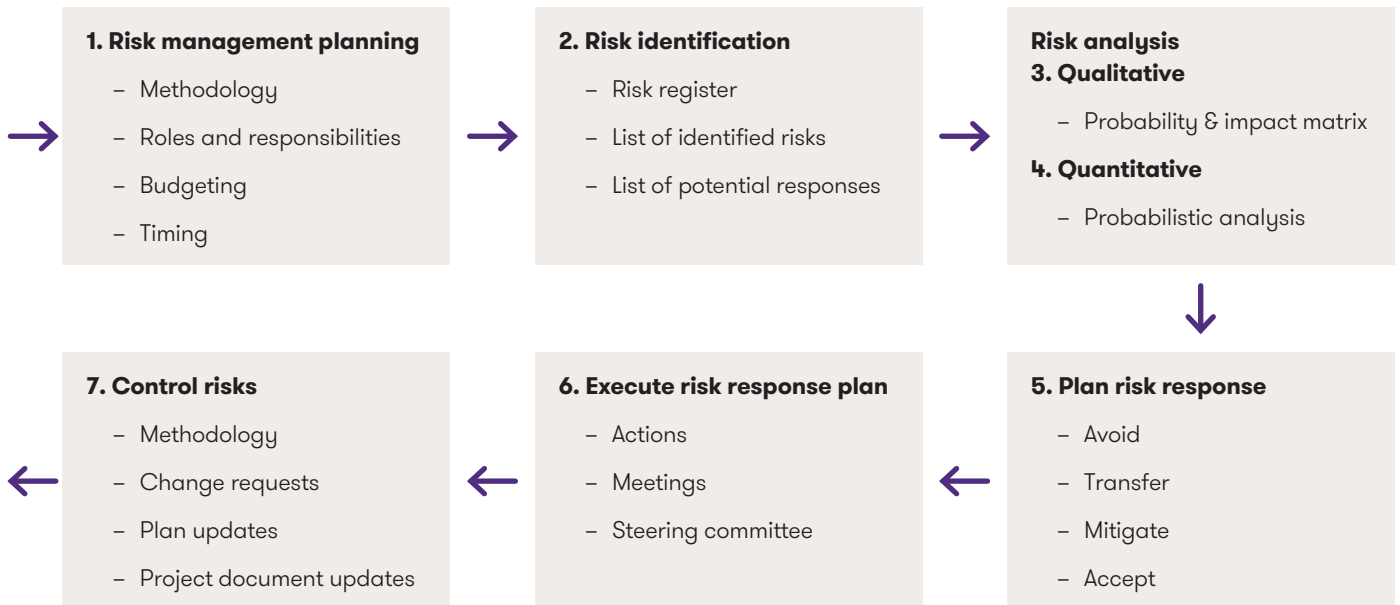
This theme provides project oversight, issue escalation, and risk management techniques. It's important for your implementation project to stay ahead of the next potential obstacle. When your quality, cost and schedule are impacted, so is your ROI.

Your quality assurance must help to identify, manage and mitigate risks, such as:

- Ensuring against scope creep
- Making sure there is a strong operating model
- Ascertaining that things have been designed for operationalization

- Ensuring that clear roles and responsibilities are defined and communicated
- Verifying that processes are designed across functions
- Building to adapt instead of building to last — the workforce and your organization is always changing, so make certain your processes can as well
- Making sure to build in contingency plans for items like delays in onboarding an individual, alternate sources for hard-to-find resources, or delays in getting required infrastructure
- Establishing controls to identify when something is stuck in the process
 - Enforce escalation procedures to minimize bottlenecks
 - Publish and observe service level agreements for reviews and signoffs
 - Make sure key decisions are documented and signed-off on

To identify and address these risks, follow a proven risk analysis process:



2. Reporting theme

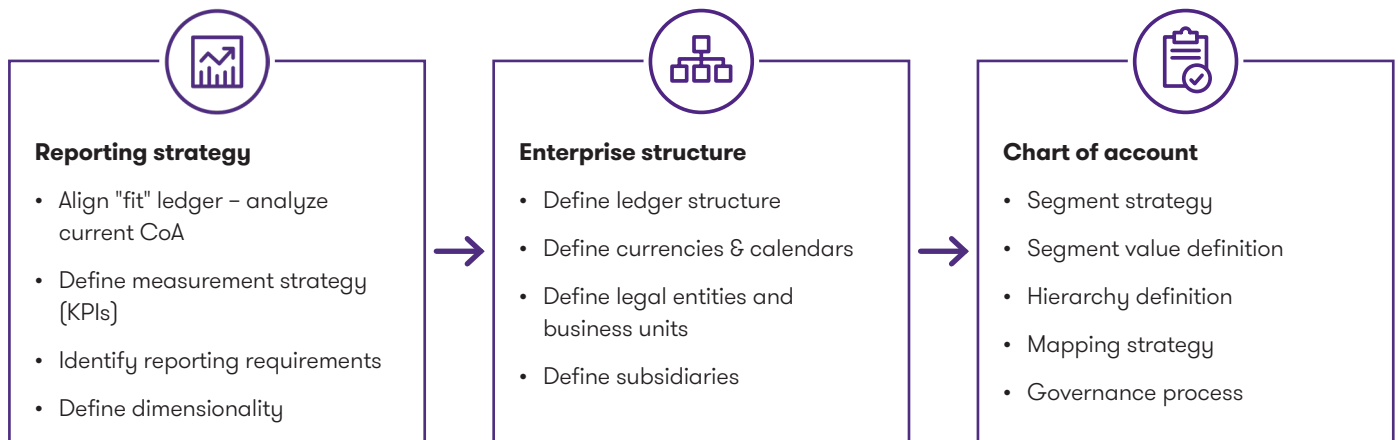
Too many organizations think that they just need to ensure that their new ERP can duplicate the reports they currently have. Throw away your current reports. Start with a measurement strategy — what are the metrics that matter to your organization? From there, you can create a data strategy to support the measurement strategy. These will culminate in a reporting strategy that identifies the tools that will get you the information you need.

ERPs have data analysis capabilities that can help reduce the need for reports. Most ERPs allow for easy access

to large amounts of data that can be exported to Excel or Access, dashboards that aggregate and present key metrics or inquiries and search capabilities that help end users access the data that's important to them. During your implementation, you should try to eliminate reports and transform others into dashboards, so that you move from "submitting jobs" toward using real-time information.

Your reporting strategy should be designed to align with your unique needs and your standard requirements, such as your chart of accounts:

Reporting strategy aligned to the chart of accounts



Input from FP&A, Tax, Financial reporting consumers



3. Management execution theme

This theme provides the structure and tools for managing project scope, issues, communications, and human and financial resources.

Management execution should include:

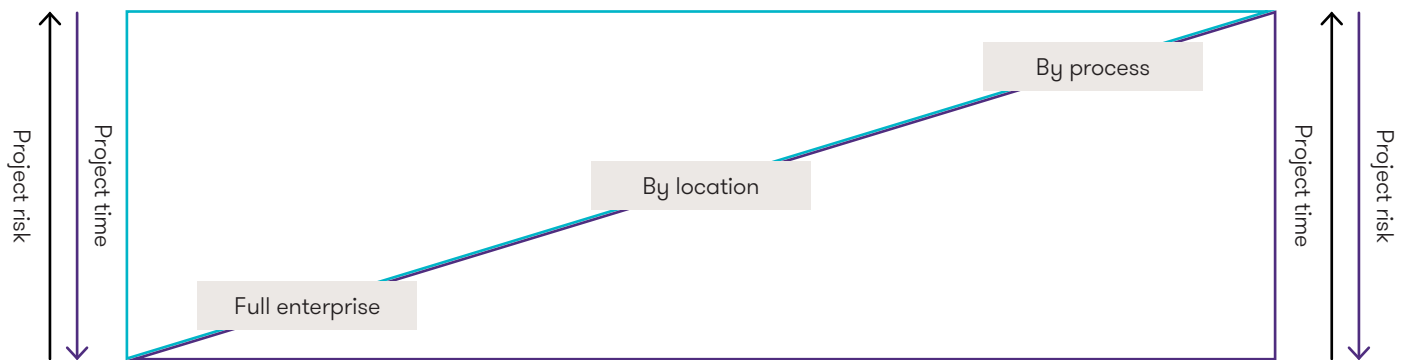
- Project management: A full-time project manager should handle all aspects of the project, including project plan development, successful completion of project activities, and management of the project budget, scope, issues, and change control
- Program structure: This structure should clearly outline

roles and responsibilities, with a decision matrix and an organizational governance chart

- Issues management: This should address identification, management, communication, ownership, resolution and proper escalation of issues
- Change management and communications: Management must ensure proper engagement communication to stakeholders throughout the project as well as active and visible sponsorship from key leaders and influencers

Typical ERP implementations deploy functionality for the full enterprise, by location, or by process:

Choose your deployment zone



- Highest risk strategy
- Causes most upheaval to the organization
- Shortest duration
- Generally highest percentage of consulting support
- Strategy is largely dependent on “type”, “complexity”, and “interdependence” of locations
- Choice of the right “model” location is key
- Typically uses “model” location then rolls the footprint out to the other, with decreasing consulting involvement
- Reduces risk by isolating processes
- Longest duration
- At times, considerable throw away interfaces
- Reporting becomes a challenge
- Consulting costs are relatively level throughout the project

1. Full enterprise: All locations and functionalities are implemented simultaneously. This is the highest-risk strategy, and it causes the most immediate change in the organization. You can see a shorter timeline with the overall implementation, but there are greater demands on the organization.

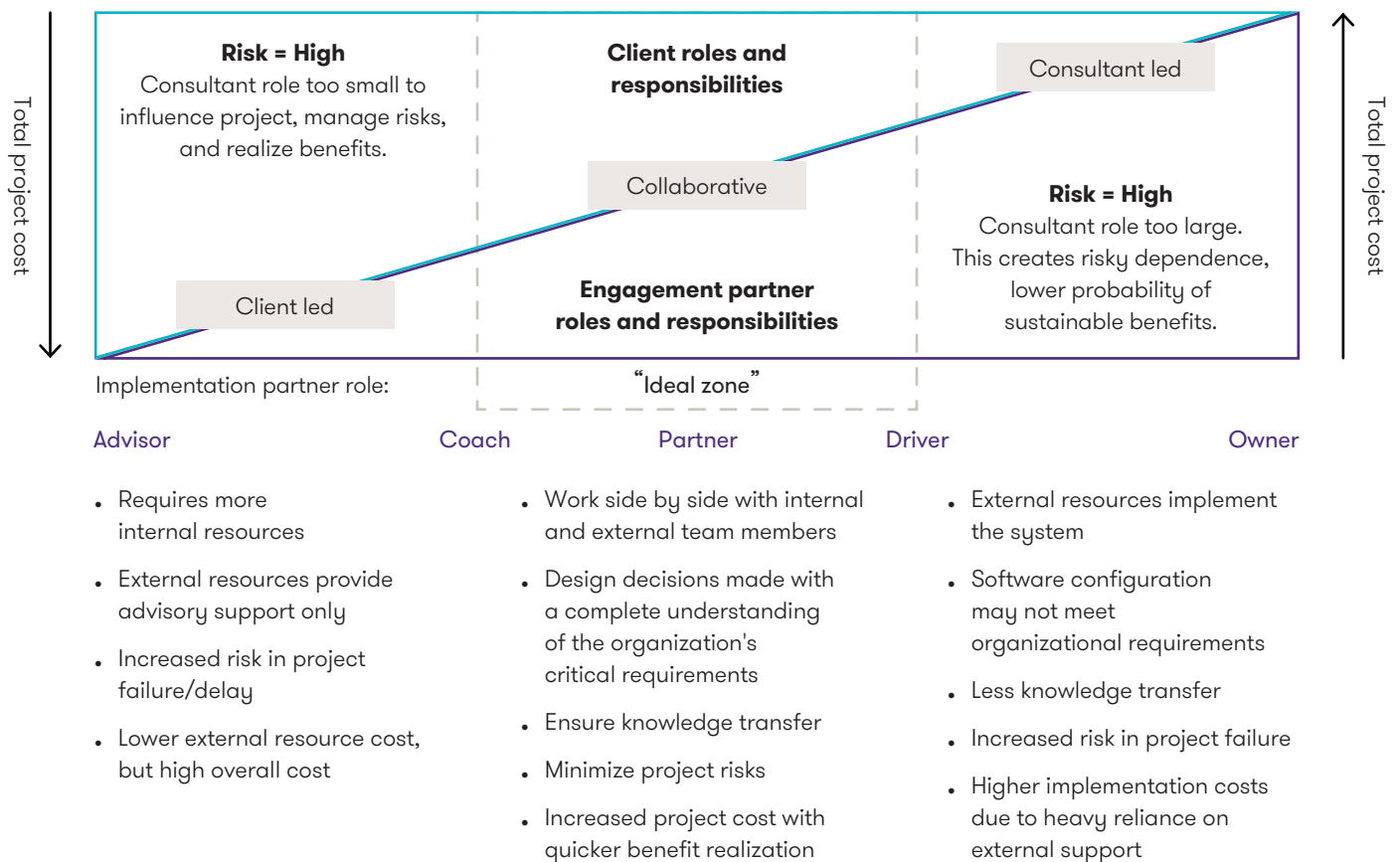
2. By location: This factors in the number of associated locations and any interdependencies between them. This often starts with the correct “model” location(s) that exercise the functionality and process breadth of the design, are ripe for the change needed and have the necessary staffing to successfully implement. The “model” approach helps to ensure a successful start that can be highlighted to the steering committee and other locations. The “model” implementation can yield a repeatable playbook on how to execute the subsequent locations, informing the team on how to make the remaining rollouts smoother.

3. By process: This approach slices the implementation differently. Rather than focusing on business units and locations, it is focused on processes like Procure-to-Pay, Order-to-Cash, Record-to-Report, and Plan-to-Build. Since this approach is focused on successfully implementing these processes, it can be the most risk-averse approach. However, it requires more temporary interfaces, as portions of the functionality are being implemented. Reporting can also be trickier because information (like GL and AP data from one system and AR data from another system) has to be aggregated for consolidated financial reporting.



The management team oversees project activities, scope, resources, and risks for multiple projects. To achieve the right project staffing, management should focus on the “ideal zone.”

Choose your deployment zone

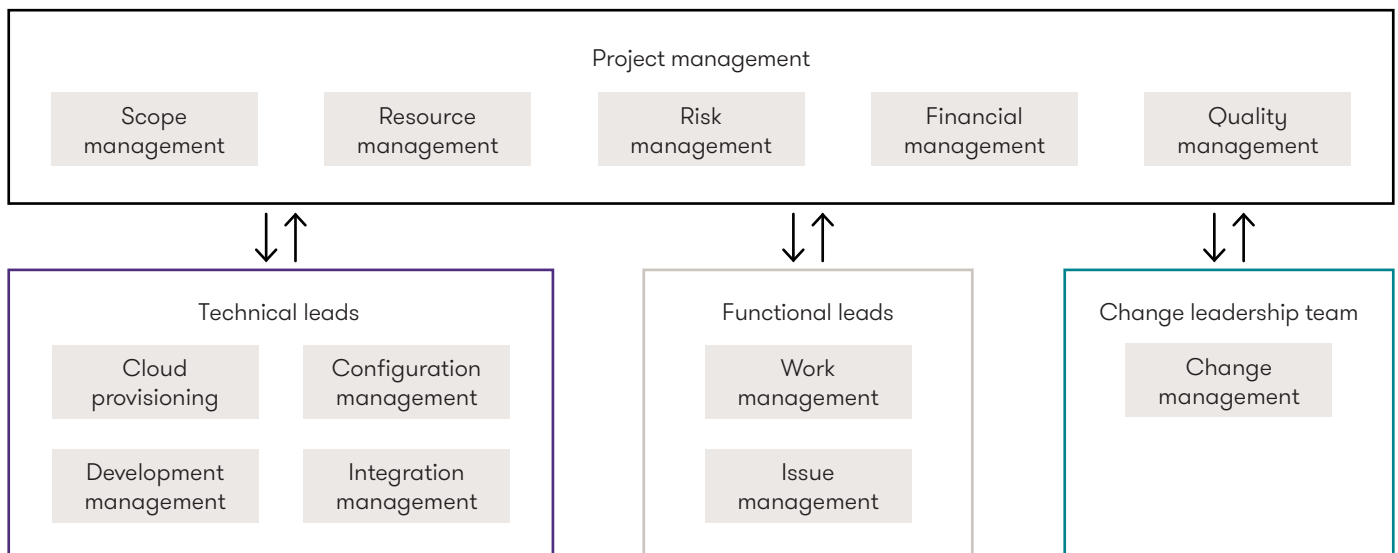


Your management team should develop plans for project management, and governance and communications. These establish the foundation for implementation work and the exchange of information.

The governance and communications plan promotes clear and timely communication with management representatives, stakeholders, team members and other interested parties

throughout the work. It also defines escalation guidelines and organizational functions to clarify roles and responsibilities.

Your steering committee can provide overall executive guidance for the ERP implementation, help resolve project issues, and help obtain ERP support. Within your project team, project management will collaborate with technical, functional and change leadership teams.



This framework requires commitment from the client sponsors, project management and team leads. Weekly communications and meetings keep all stakeholders familiar with the project, issues and next steps. Status reporting should verify the timeliness of activities, with particular emphasis on those activities that reside on the critical path of the project. In the case of any hindrance, the team should determine the impact on the overall project plan and offer one or more alternative remediation approaches to project leaders, so that the plan can be modified.

This project governance approach ensures complete transparency during the project, allowing an effective partnership to control project scope, timeline, issues and risks, quality, and costs.

It's important to recognize that change management is an essential part of this framework. Change management must be planned and executed for the implementation, whether it's by the organization or a consultant — without it, you will fail. This change management is also part of the business transformation.

Many ERP projects fail due to poor project management. Failed project leaders often claim that "the ERP was not a fit for our business," but the reality is that all ERPs essentially do the same thing. Your management of the project and implementation will determine much of whether your ERP experience is positive or negative.

4. Business transformation and change management theme

This theme enables sustained optimization across all areas of the business, from process to people. The level of adoption for the new business processes and underlying ERP technology is critical to the success of the project. Without adoption, the business cannot achieve the potential transformation and value that the ERP offers.

Early preparation

The work of preparing employees and stakeholders to adopt an ERP implementation's change should begin early in the project, as the project business case is established. Even before the project begins, you should:

- **Create an effective and aligned leadership team and leader coalition to support the initiative.**

Success or failure depends heavily on leadership engagement and committed alignment. Empower and prepare the project sponsor and key leaders to showcase their visible and active support of the change, including the overall goals and objectives as well as the reasons for embarking on this type of initiative. Leaders should also work with their peers and other influencers across the organization to establish a leader coalition. This formal or informal group of trusted people can be used as an extension of the project leadership team to cascade messages — or to identify issues or concerns on the ground that leaders and the core project team might not see. The valuable feedback that they offer sets the foundation of trust that can be built upon throughout a phased implementation and can contribute to the sustainment of implemented changes.

- **Ensure the right people are recruited and on-boarded to the project team.**

Project team members will be among the first employees to experience the implementation's changes. Their enthusiastic support for the project will be a critical success factor as they interact and collaborate with others in the organization. To support a successful project, team members should embody:

- Subject matter expertise
- Credibility with business teams
- Availability and willingness to complete the project responsibilities
- Positive and forward-looking attitude
- Strong interpersonal skills



Change management strategy

Your business transition will need an integrated and collaborative change management strategy and plan that considers your stated goals for the project, along with your organization's size, complexity and other unique characteristics. The strategy should be part of the broader project approach and plan, since there are many interdependencies between your change management activities and tactics and the broader project milestones. Some key areas your strategy and plan should address are:

- **Case for change:**

Formalize what success will look like for this initiative, using the initiative business case, historical project experiences and organizational cultural norms. Clearly identify the benefits and value of the effort, so that you can create effective messaging and examples for the enterprise and especially the end users. The case for change clearly aligns the people, process and technology changes to the organization's strategy and objectives. It should also include business-relevant talking points for leaders.

- **Stakeholder identification and analysis:**

Stakeholders are any individuals or groups that impact or are impacted by the initiative. A new ERP platform can cause direct or indirect impact to users through upstream or downstream changes to processes, data or reporting. So, it's important to document a comprehensive list of stakeholder groups, knowing that the level of engagement with those groups will vary. Collaborate with leaders to identify a representative mix of stakeholders for potential interviews, focus groups or surveys. This feedback can capture cultural norms, engagement needs, current business state and any lessons learned from past initiatives. It can generate a stakeholder matrix, influencer map, and general observations and findings that will influence the rest of the change management activities.

- **Impact and change readiness assessment:**

Collaborate with the project team and the various stakeholder groups to measure the degree to which the proposed changes will impact each group in relation to their current ways of working. This will remain a living

document for much of the project. Broader project activities like blueprinting, conference room pilots and user acceptance testing will continue to evolve the impact assessment as the design and build further solidify. It's also important to understand the perceptions of the project and associated changes from those impacted. Work closely with the various stakeholder groups to assess their perceptions at the beginning and periodically throughout the project, proactively identifying opportunities, risks or roadblocks to user buy-in and adoption. Impact and readiness findings inform engagement, messaging and education activities through the life of the initiative. This typically generates a readiness and impact report.

- **Leadership engagement:**

Throughout the project, work with the project sponsor and key leaders to provide continued and relevant visible and active support. When needed, provide executive coaching, messaging and other engagement opportunities to help ensure leaders are comfortable being a visible sponsor for the success of the program. This is where you can use the coalition of influencers and others (from "Stakeholder identification and analysis" above) as an extension of the leadership team to further engage with the stakeholders in a more relevant way. This typically generates a sponsor engagement plan and sponsorship roadmap.

- **Communications and engagement planning and execution:**

Use the case for change and readiness or impact findings to develop messaging and tactics that are relevant to the roles and responsibilities of the various end-user groups. By aligning delivery methods with the organization's culture, using relevant phrases and terms, you can better drive awareness and foster acceptance in impacted users. Also promote timely two-way dialogue through surveys or a peer change agent network. Use feedback to further refine messaging for relevant, timely and impactful engagement for specific audiences. This can generate a communication strategy and tactical plan, key messaging, Frequently Asked Questions (FAQs), talking points and engagement artifacts like emails, videos and intranet pages.

– **Training strategy and development:**

To spur faster and lasting adoption, start your education for relevant audiences early in the project. Each opportunity to see the system, complete test scripts, or review processes is also an opportunity for users to learn. Use your impact assessment to start developing a robust training needs assessment. Establish a tailored training strategy and plan that incorporates adult learning principles to educate throughout the project. The output of your training needs assessment will help you develop role-based education along with “point in time” training that create sustained change. During a phased rollout, replicate successful processes and adjust for local or site nuances and requirements. SMEs can deliver training via a variety of channels to address varying learning methods and role-based learning needs. This can generate a training needs assessment or training strategy and plan along with materials such as simulations, videos, quick reference guides, and presentations. In addition to training, work closely with the project team to align expectations for post go-live support and a comprehensive knowledge transfer program.

Sustain the change

An ERP implementation’s success is not defined by “going live.” It’s defined by the adoption of the tool, processes and behaviors that enable the value that the ERP creates for the business. That requires adoption and usage of technology that connects with the stated goals. That adoption and usage aren’t something you can start to drive at the end of the implementation — they’re something you must consider from the very beginning.

Organizational transformation is complex, and it requires you to go beyond setting goals and creating plans. You must proactively identify and mitigate people-related risks through a strategic and deliberate approach to change management. This can help position the broader project team for a people-focused approach to transformation. When you successfully support team development and integration, your team is prepared to win.

To sustain success or ERP “harmony,” the next step after ERP implementation is ERP governance.



ERP governance

Your ERP implementation or re-implementation project can achieve success, if you have effective implementation planning and management.

Unfortunately, the implementation celebration might not last for long. After the ERP system is in use, you might start to hear complaints like:

- “It’s not working”
- “It’s not a good system”
- “It’s too customized”
- “It hasn’t grown as our business has grown”
- “Why do we always struggle with this?”

In truth, these complaints don’t come from system issues. Your initial success depends on implementation management — and your ongoing success depends on governance.

Most organizations struggle with ERP governance. They often feel like they are perpetually fighting ERP issues, with less time to proactively focus on strategic goals for the business. They struggle to determine who owns the ERP — IT or the business.

Allowing IT to own the ERP often leads to a design that doesn’t fully support the business needs, or an over-engineered solution that is costly to implement and maintain but doesn’t return enough value to the end user.

So, it’s important that the business ultimately owns the ERP, and that IT supports their needs with it. The business needs to establish and maintain the design, identify and report issues, and determine the vision for any future changes. Business and

IT need to work closely and be aligned on what the business is requesting, what capabilities are available in the system to address their requests (or other options available), and the roadmap and timeline to introduce any new or changed processes. If the business and IT don’t collaborate on the ERP, that can lead to infighting and a lack of progress. Both teams need to avoid the mentality of blaming problems on “them,” choosing instead to work together and solve problems through ERP governance.

ERP governance is a continuous process-improvement initiative. There are many variables to weigh in governance, but you can establish governance with four components that help you focus on strategic objectives:

1. ERP organization:

Form an ERP operating group (ERPOG), made up of business process owners and technical leaders that work together to manage the initiatives and priorities.

2. Master data management:

Manage the integrity of your ERP data. It is the foundation for all reporting and analytics and is involved in integration with other systems.

3. Release management:

This is the “method to the madness” for managing introductions and changes to the ERP environment.

4. Metrics:

Make sure there are metrics that matter in place for every business process area. You can’t improve what you can’t measure, so what information do you need?



ERP organization

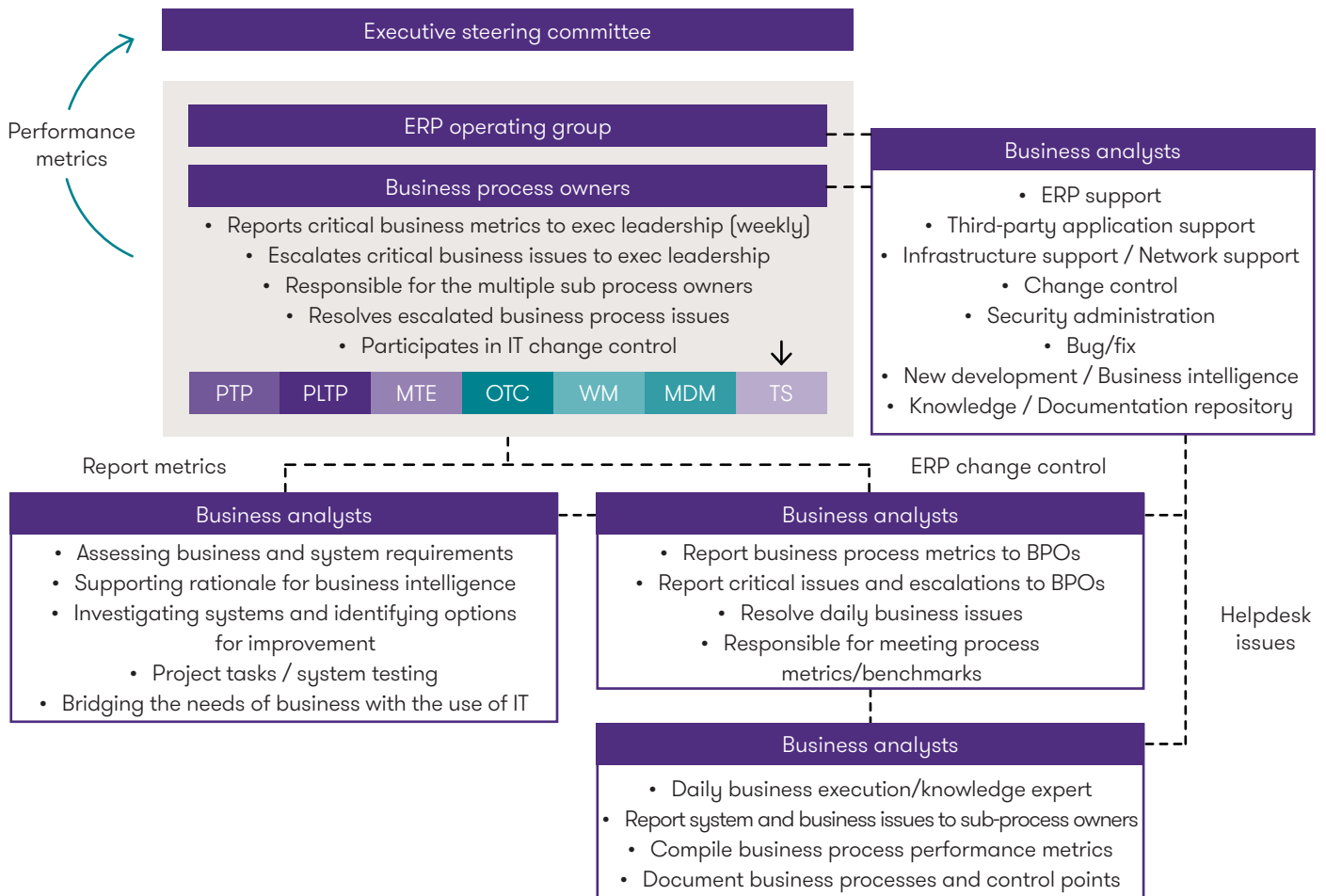
This is a good opportunity to step back and look at your ERP organization. If it was cobbled together over time (as most are), then this is your chance to reorganize. A best practice is to form an ERP operating group (ERPOG) made up of business process owners and technical leaders that manage all initiatives and priorities. Most companies struggle to form an ERP governing body made up of business leaders and process owners. That's partly because most people in the business think that the ERP is an "IT issue," and that IT needs to "make it work."

The reality is that ERP is a way of doing business — and business leaders should lead it.

Many companies can talk the talk of an ERPOG, but they don't walk the walk. They identify the individuals who make up the ERPOG, draft a charter, have a few meetings to discuss it, but then they get busy with running the business. They don't follow up with ongoing ERPOG meetings or true ERP management. Requests for changes or new processes get ignored and, eventually, users stop asking, come up with their own solutions or send their requests directly to IT where decisions are made on priority.

A strong and well-managed ERPOG will serve as the building block for successful ongoing ERP management. Since ERP is a way of doing business, not an IT system, the business should own the ERP and technology services should be a part of the process that enables and supports business decisions.

How the ERPOG relates to your organization



In the diagram, note that TS (technology solutions, or IT) only has representation in the ERPOG. This is typically to make sure that the business understands the systems that are in place to handle business requirements. The business rarely understands all of the tools that are in place. Master Data Management is also represented in the ERPOG, since similar situations arise with data. The business often doesn't know the inputs and outputs of the data.

IT can also help ensure that the business understands the capabilities of the systems they already own, preventing departments from procuring new software instead of using existing capabilities. This is a costly long-term mistake for many companies that end up managing far more software systems and integrations than necessary. Avoid this mistake with a strong ERPOG and collaboration between IT and the business.

Master data management

Data governance (or management) is the process of setting policies, rules and processes that guide information creation, use, and management. Data governance practices largely determine the reliability of ERP information, so taking a disciplined approach to ERP data integrity is a core best practice. Master data management business processes should be standardized and centralized under one umbrella.

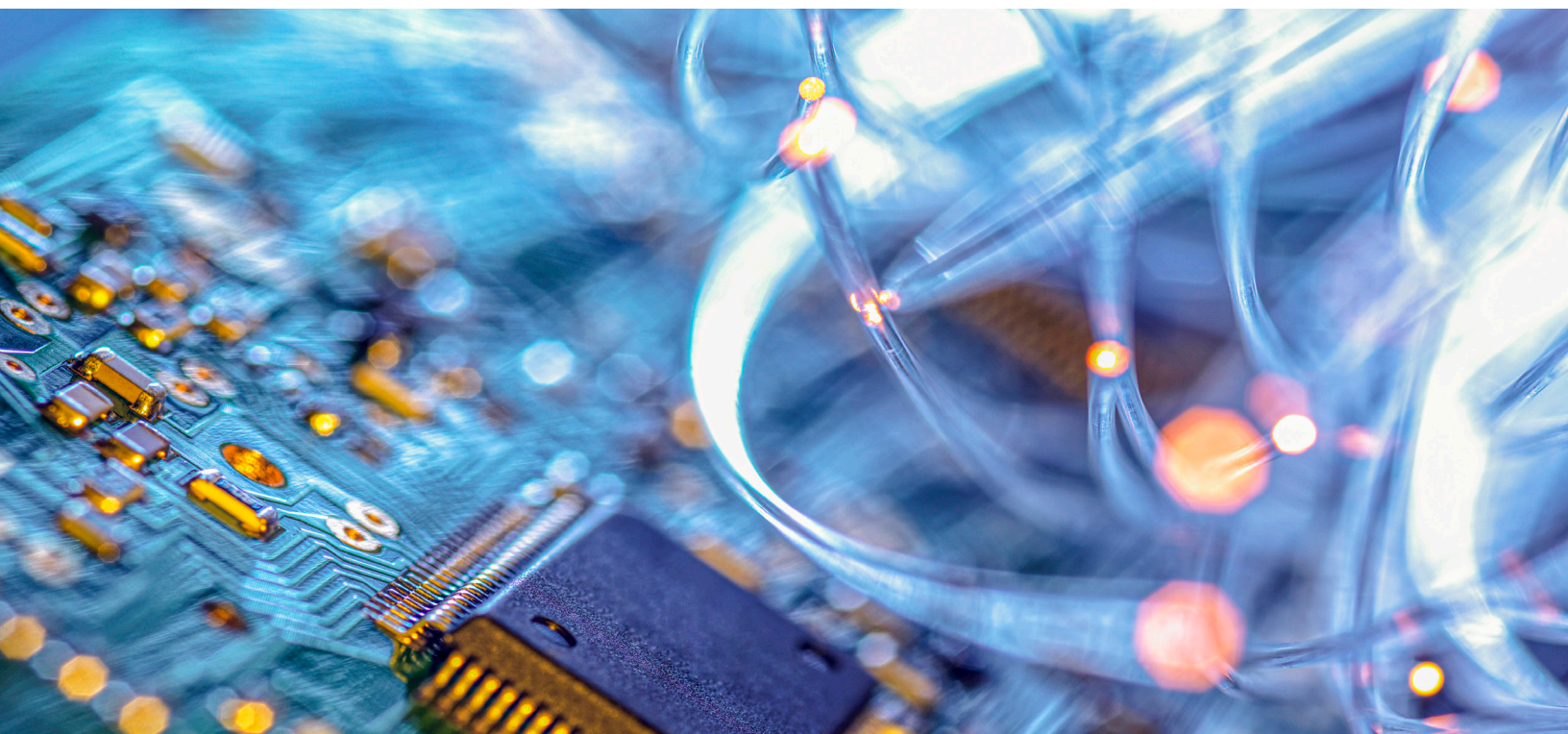
Guiding principle

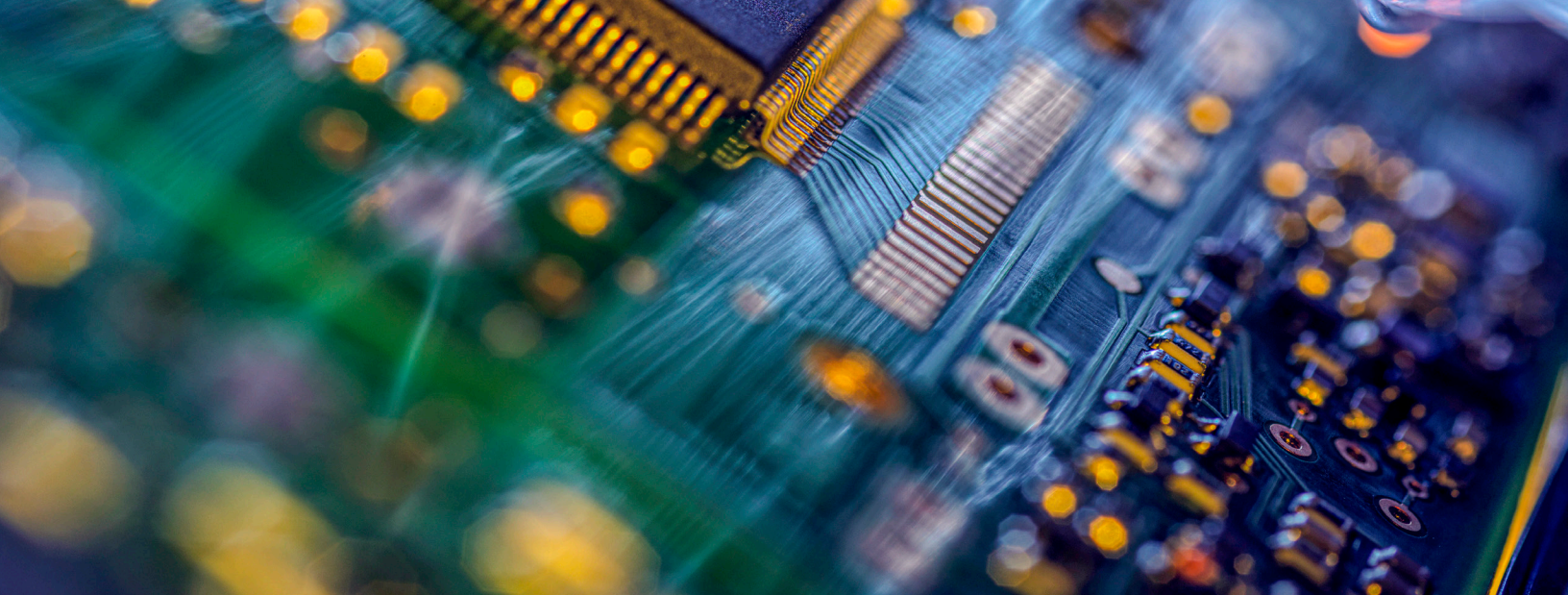
- Ensure data management is a business-driven function rather than an IT-driven function within the organization
- Dedicate and commit to developing staff with clear roles, responsibilities and measurable objectives around data quality and usage
- Implement standardized processes, security and master data tools and promote common data repositories that share common business rules and definitions
- Direct management attention to the data management process in order for it to succeed

Benefits or outcomes

- Clearly defined roles, responsibilities and accountability
- Centralization and coordination of methodologies and policies, creating an entity-wide standard (data) language with a single version of the truth
- Enable common view of data and information across the organization, enabling proactive management and better decisions
- Reduction of data inconsistency and integrity issues, decreasing time and costs associated with turning data into useful information
- Stronger user confidence in fact-based decision-making as information is kept in one place, in a known and organized structure

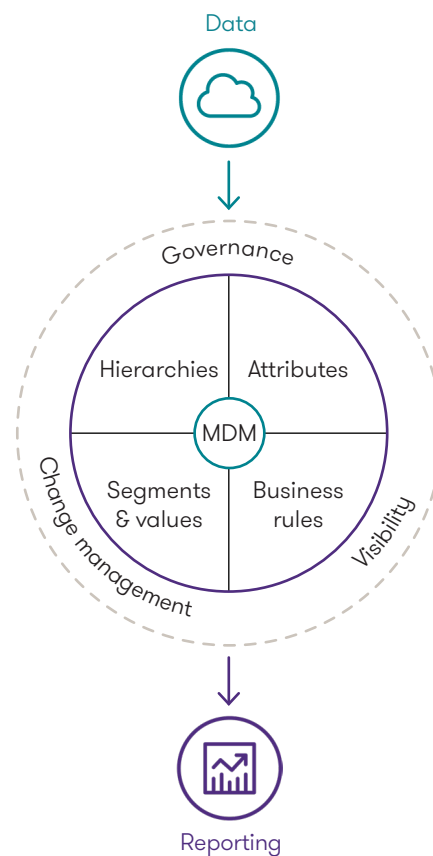
Data consistency and data integrity are important to everyone running an ERP. Bad data does not mean you have a bad ERP, because bad data is not the fault of the system — we put data into the system. Many ERPs don't have tools to guard data relationships and controls, so "garbage in garbage out" can apply, but there are third-party tools that can augment the ERP if needed.





To align and organize your data at all levels, data governance is critical. A proactive and transformational approach that considers the following factors can help ensure that your data governance will be adaptable in the future:

- **Alignment:** ERP transformation will require a controlled process for changes driven by the transformation as well as ongoing business.
- **Auditability:** You need to provide a history for changes and a definition of each value's usage.
- **Consistency:** You need to ensure the various systems that house the segments remain aligned across the enterprise.
- **Foundational to reporting governance:** Reports should be based on defined hierarchies and updated accordingly as the structures change.
- **Agility to change:** You need the capability to seamlessly update organizational structures to support reorganizations, M&A activity or system upgrades.



Release management

For high-growth or dynamic ERP environments, a best practice is to define a methodical, phased approach that includes mandatory quality assurance. Strong release management helps control the perpetual firefighting scenario that often derails overall program progress.

Why release management?

- Dynamic ERP environments require a methodical, phased approach
- Offers quality assurance so that nothing goes to production without going through the process, and external third-party applications are ready
- Improves the perpetual “fire-fighting” scenario that derails overall program progress
- Ensures that other stakeholder groups across the organization are aware of the change and any potential impact to their business process(es)

Release management for ERP organizations:

- Identify production release “windows” (schedule) that are ideal and do not jeopardize the business
- Align both production fixes and new implemented functionality with a logical release window
- Each release has a detailed plan and quality review cycle
- “Gate” reviews for each environment and test cycle
- Implement all necessary testing cycles (e.g., load, acceptance) as the results will be reported in the gate reviews conducted by the project approval committee (ERPOG)
- If functionality or development items fail or do not go through the release management process, they can be moved to the next logical release date
- Allow end user and executive level visibility to the functionality roadmap

The bottom line is that mistakes can happen when ERP functionality is introduced too rapidly, or in a rogue way. Sometimes, these mistakes take twice as long to fix as they took to create. Disciplined change control and a project approval committee will mitigate this disruption to your business.



Metrics

If you have reporting issues, you probably also have KPI issues. Many organizations do not proactively monitor KPIs or the metrics that matter for their business. They get in the routine of being firefighters and expeditors, just showing up each day to fix issues.

Defining and actively using metrics or KPIs for every business process area is a best practice for ERP organizations. Each process area needs metrics, reported by the process owner in the ERP organization. The ERPOG should spend most of its time tracking the business performance to the metrics that matter — and it shouldn't be that hard to do.

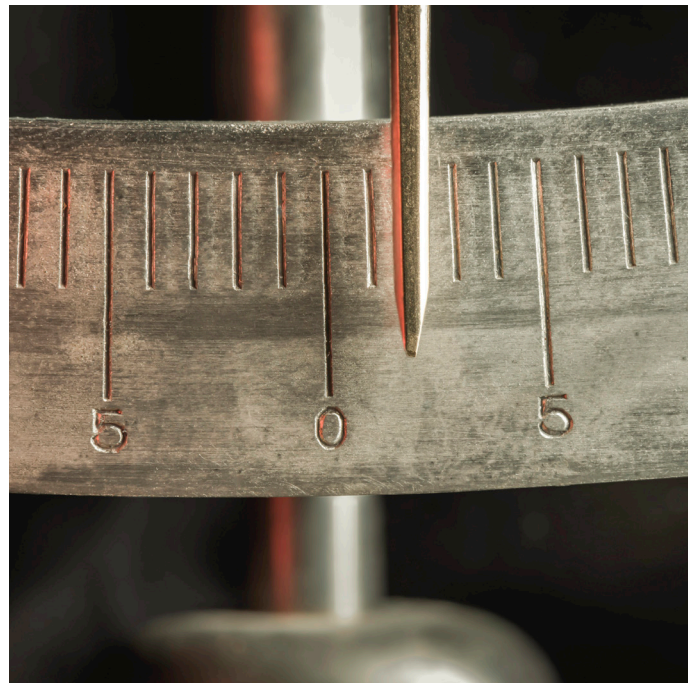
Metrics must:

- Be limited in number (this is key)
- Reflect the goals and keys to success for the organization and/or process area
- Measure process performance effectiveness or efficiency, including changed conditions or problems
- Be clearly specific and measurable
- Have a design that is long term in nature
- Be monitored reliably, repeatedly and accurately
- Encompass the entire process collectively
- Be supported by high-quality data
- Address pain points

If your organization struggles to define the metrics that matter, start small. Each business process (like order-to-cash, procure-to-pay, plan-to-produce) should have 3-5 key metrics that it uses to monitor performance. There are many ways to obtain sample metrics. Many quality control publications identify best practice metrics for each process, and many advisory firms have knowledge in each industry.

Effective metrics help your organization spend more time on the strategic objectives of the business. Organizations that don't have effective metrics are constantly seeking data and rationale for why things are the way they are, for resolving issues, and for making other decisions.

Metrics, together with the tools and processes to efficiently track them, go a long way in establishing a healthy ERP environment. Of course, you need a sound reporting strategy. Organizations with multiple reporting tools might not have reliable insight. Start with your measurement strategy, define your metrics that matter, and then focus on your data strategy. Together, they can provide a sound reporting strategy that produces meaningful insight.



How it all leads to ROI

How do you know if your ERP is achieving the best ROI? Do any of these sound like your organization?

- The business owns and drives the ERP
- Key metrics are defined, tracked, and reported in every process area
- Data is easy to find and the rationale for business events is clear
- Reports and dashboards give you everything you need
- Third-party interfaces do not cause disruption
- Changes to your production environment are tested, approved, and implemented in a timely and efficient manner
- The ERP helps automate and simplify business processes for end users
- Users are fully trained and confident in using the system
- New employees are able to integrate in and learn how to use the ERP quickly
- There is collaboration between the business and IT on new requests and the roadmap to deliver them
- The business feels like IT understands their requirements and is responsive to them
- Issues are identified, management and tracked to resolution

If the above doesn't sound like your organization, then you need to make a change. You have control over your ERP experience, and your organization has the power to succeed — the software is not a limiter.

If you manage an ERP implementation the right way, with the five phases and four themes, you'll be surprised at the positive returns.

If you're struggling with an existing ERP, invest the time to establish governance and get your experience on track with the four key elements:

- 1. ERP organization:** Establish an ERPOG with business process ownership and accountability.
- 2. Master data management:** Establish sound master data management practices and protocols.
- 3. Release management:** Establish diligent and controlled release management.
- 4. Metrics:** Report the metrics that matter to drive and monitor business performance.

Successful implementation, followed by successful governance, is your map from ERP to ROI.



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