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Your guide to a successful ERP journey

Top 10 change management challenges for Enterprise Resource Planning implementations

> "The single biggest failure point for ERP implementations is the need for change management."

Neville Turbet, Project Perfect

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Major project failure is an unfortunate fact for many organizations, and Enterprise Resource Planning (ERP) projects are no exception. Analyst firm Gartner estimates that 55% to 75% of all ERP projects fail to meet their objectives. Whether your project is a few months or a few years long, whether it's an upgrade or a new implementation, the financial and cultural well-being of the entire organization is at stake, and the associated costs of failure range from disruptive to catastrophic. You must do everything possible to ensure success.

Fortunately, while failure is common, it is not unavoidable. Deloitte has identified the critical people-related challenges organizations typically face at each phase of an ERP implementation, as well as specific steps you can take to mitigate them. With so much on the line, consider what your organization can do to minimize risk and make your ERP project implementation journey as smooth as possible.

Plan the trip

Project preparation
is a make-or-break imperative

1 Get everyone on board

Understand and articulate the need for change

Before beginning any ERP project, it's critical to ensure that the entire organization understands the reasons and strategy behind the move. If decision makers do not clearly support the need for change, your budget and resource planning may be negatively affected. If project members and end users don't understand the objectives, confusion can prevail over purpose and commitment, increasing resistance to change and reducing the chance of success.

To address these challenges

- **Define the need for change** by developing a clear picture of how the organization will benefit from this initiative. This can go a long way to gaining buy-in and generating enthusiasm for the implementation.

- **Articulate and endorse the vision.** Spend time upfront communicating why this change is necessary and what will happen if you don't change. Leaders, particularly in areas likely to be affected, need to cascade this message down to staff.

- **Be clear on the budget and resources required** to support the project, and determine the resource ramp-up plan so the project doesn't stall at the start. Also, make sure everyone involved understands the commitment required from all parties. This will help avoid confusion when competing initiatives inevitably arise.

2

Make sure someone's removing roadblocks

Adequate sponsorship and leadership are critical to success

Many issues raise stumbling blocks over the course of an ERP initiative, so be sure you begin on solid footing. To garner the necessary support, and motivate project members and end users, the implementation must be viewed as a high priority. Appropriate, authoritative sponsorship must visibly drive the project from the outset. Without day-one endorsement and guidance from all levels of leadership, your project can be over before it begins. A lack of clear sponsorship or leadership can also negatively affect the decision-making process and impede progress. The most important role the sponsor and other leaders play in an ERP implementation is helping to remove barriers to success for the project.

To ensure adequate sponsorship and leadership

- **Determine and clearly communicate who the project sponsor is** at the start. This is where the buck stops and the sponsor must have the authority to remove roadblocks.

- **Identify other organizational leaders who need to support and understand the change**. These leaders will be very helpful in removing barriers to success. Understanding the political climate allows the implementation team to determine the best way to position the project with various leaders. A guiding coalition that is in agreement is critical for success.

- **Put on a roadshow presentation for leaders** to ensure they are aware and fully understand the purpose and expected benefits of the project. They will be important allies on the road ahead – equip them well.

- **Create leadership alignment plans** for identified leaders, with key actions they can undertake to visibly support the project. Include incentives as an integral part of the sponsor's and leaders' performance plans, based on their achievement of objectives related to the project.

- **Proactively facilitate cross-functional sessions** with leaders early on to gain a shared understanding of the project, its objectives and potential barriers, as well as the important role leaders will play throughout.

3 Check the rear-view mirror

Understand established business culture and historical response to change

Often times, an understanding of history facilitates future success. For ERP implementations, organizations should consider how resulting changes fit in with – or can be adapted to – the prevailing business culture, as well as what success the organization has had with past change-based projects. Understanding cultural alignment and change history, as well as the status of current competing initiatives, can help appropriately prioritize the project and strategically design it to succeed. If an organization that has not handled change well in the past is subjected to substantial further change, it may result in organization change fatigue, which can lead to a lack of engagement and project commitment. Also, if the change is not communicated in a way that highlights its alignment with the organization's culture, there will likely be resistance from the outset.

To alleviate these risks

- **Determine the priority of initiatives** currently under way or planned for the near term. Knowing where the ERP implementation fits into the organization's priorities is key to getting the resources and commitment required to stay on time and on budget.

- **Create a dashboard** that highlights the resources, budget and timeline for each project to avoid potential conflicts.

- **Include a detailed change management and communication plan** to support each phase of the ERP implementation. Change management activities such as change readiness assessments, which provide insight into past history with change and how ready and willing the organization is to adopt the changes, can help position the implementation appropriately with end users. They can also identify mitigation tactics to avoid change fatigue.

Hit
the road

Design, build and implement
effective solutions

4 Put the horse before the cart

Appropriately structure the project and clearly establish roles

Lack of clarity around structure, activities, roles and responsibilities can result in confusion and resistance, making project execution extremely difficult. Without a clearly developed and articulated project structure, the project team may duplicate efforts or leave key tasks unaddressed as they try to figure out where they should be and what they are specifically responsible for. Inevitably, this causes delays and redundancies before the project gets in gear, raising costs and jeopardizing budgets and schedules.

To help your project move forward with organization-wide clarity and understanding

- **Hold a project kick-off session to** set and align expectations, clarify roles and responsibilities and allow team members to bond and have their questions answered. Include the project sponsor to ensure visibility and involvement from the outset.

- **Understand and leverage existing internal structures** – such as communication vehicles and decision-making bodies – that can assist throughout the implementation. These structures create a sense of familiarity and reduce barriers to engagement.

- **Develop and enforce a clear issue and risk escalation process** to capture, and expeditiously deal with, all issues and risks throughout the project.

- **Highlight integration points between project streams** to generate discussion early on. Initial all-staff meetings should include presentations from each stream on what they understand their project role to be, and what they see as key integration points with other streams.

- **Revisit and reinforce roles and responsibilities regularly** throughout the project life cycle as they may shift or evolve over time.

5 Prepare for detours

Get back on track quickly by addressing people impacts and behavioural changes

Many changes that come about due to an ERP implementation will substantially affect employees. Success depends on how effectively you understand and manage the impacts of these changes. To achieve the best results, proactively prepare employees and the organization as a whole prior to the ERP implementation. A good grasp of potential change impacts will guide your communications, training and leadership alignment activities and prevent wasting time and effort focusing on the wrong things.

To effectively address change impacts

- **Identify key changes to systems, processes and organizational structure**. Work with business representatives to fully understand the resulting impacts, from multiple perspectives and for each role and/or area of the organization. Getting business input on the magnitude of impacts helps you focus your communication and training efforts on the right things.

- **Understand how roles and responsibilities will change**, and incorporate those changes, not only in job descriptions, but in communications and training materials. By providing these before the implementation, you can ensure people understand how their jobs will be affected.

- **Create "role impact guides"** so end users clearly understand how their roles will change, and reinforce specific benefits. People are much more likely to buy in if you can answer the "what's in it for me" question.

6

Ask for directions along the way

Create change networks and develop "grass roots" internal support

Ensuring you deliver the right messages – to the right people at the right time – is necessary to limit and manage resistance to change. To help end users understand what has to happen and why, develop a formal network of influencers who can support two-way communications (both formal and informal), facilitate deployment activities and monitor how people in their areas react to and adopt the changes. Ineffective communication can stem from unclear messaging, poor timing or targeting the wrong audience.

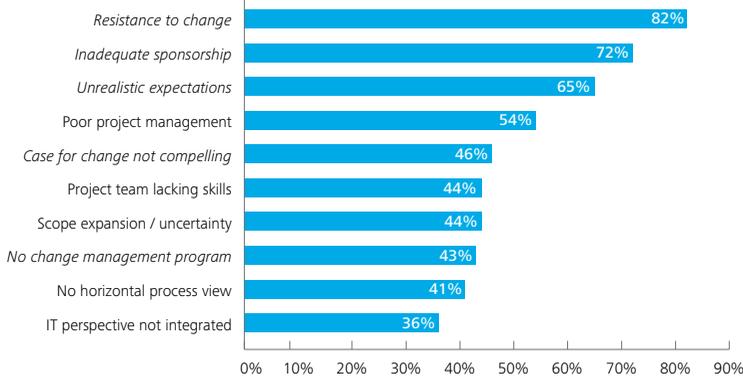**To develop effective internal change communications**

- **Create a change network** comprised of key influencers from all of the highly affected areas of the organization, and hold regular meetings to keep them engaged and involved in project activities. By involving these members in key decisions and information dissemination, you promote understanding and increase visibility for change management activities. This multi-directional communication channel gives you a better feel for the organization's pulse and ensures that accurate information about the project reaches end users in a timely manner.

- **Build accountability** and ownership within the change network, giving members a sense of control over change management activities in their areas and a vested interest in the project's success. Empower the change network to anticipate and escalate potential issues to the project team to ensure the development of timely and appropriate solutions. It is critical to allocate dedicated time to this role so it gets appropriate attention.

- **Provide monitoring and feedback mechanisms**. Develop an "early warning" system to identify emerging implementation challenges or pockets of resistance.

Of the top 10 barriers to a successful ERP journey, 5 can be addressed by developing and implementing a structured change management program.

Deloitte CIO Survey

Top 10 barriers to implementation

Barrier	Percentage
Resistance to change	82%
Inadequate sponsorship	72%
Unrealistic expectations	65%
Poor project management	54%
Case for change not compelling	46%
Project team lacking skills	44%
Scope expansion / uncertainty	44%
No change management program	43%
No horizontal process view	41%
IT perspective not integrated	36%

Source: Deloitte Touche Tohmatsu CIO Survey

7 Teach them to drive the new standard

Assess learning requirements and develop a tailored training program

For your ERP solution to be accepted and embraced, your people must be prepared for transition – to both new systems and new ways of working. This can be accomplished with a training program that addresses critical gaps in skills and learning. To build an effective program, however, you must accurately and comprehensively assess the knowledge requirements and training needs of the organization. The success of an ERP implementation is partly based on how quickly employees can get up to speed working in their new environment. You can implement the best system possible, but if people are unable or unwilling to use it, you'll never be successful.

To get your people ready for the transition

- **Assess current employee computer skills** so you can provide exactly what they need prior to training on the new system.

- **Provide role-based training (on both systems and processes)** to ensure end users can work effectively in the new environment and sustain implemented changes. Leverage identified change impacts and behavioural requirements, incorporating them into training materials that reinforce the importance of following the new processes. Involve the business in the validation of training materials and prioritize training requirements to ensure critical roles are trained prior to go-live.

- **Determine an appropriate training strategy** based on the current needs of employee groups and on past organizational training approaches. Understanding what type of training (classroom, CBTs, self-study, blended learning) works best in each area of the organization can help you tailor the training program to best meet end user needs.

- **Secure resources** to support your training rollout as early as possible. Identifying the trainers and allowing them adequate time to prepare will pay dividends in terms of the quality of the training and alleviate the inevitable fight for resources as go-live nears.

.It's a journey, not a. destination

Where do you go after you "go-live"?

8

Stay on the right side of the tracks

Thoroughly plan and deliver post go-live support

Remember, once you've gone live, you still have a long way to go. End users need to be confident and comfortable working with the new ERP solution, and providing high-quality, effective, post go-live support is crucial to overall project success. Without it, the inevitable "Valley of Despair" (performance dip) will be exaggerated and change acceptance delayed. Organizations reap long-term success from their ERP implementation if they help end users climb the learning curve with timely, robust support.

In developing support initiatives

- **Provide sufficient onsite support** for at least the first few weeks after go-live. A network of competent super users – employees from the business who get exposure to the new processes and system through testing and extra training activities prior to go-live – is critical to ensure end users in highly affected areas have a clear point of contact for questions and issues. To ensure acceptance of the solution is embedded in the organization, super users need to be fully dedicated to supporting end users for a sufficient amount of time. You should prepare support resources to stay onsite longer than expected should employees need extra, unanticipated support.

- **Prepare an implementation toolkit for managers/supervisors** that includes a comprehensive list of new terms and definitions, reinforces the need for the change, highlights benefits and key changes in their area, and provides a clear outline of the support mechanisms available. This equips key business leaders to visibly support the change throughout implementation and after go-live by delivering the right messages and escalating issues properly.

- **Schedule regular meetings** with the support team and project team to raise issues in a timely manner, answer questions appropriately, deliver consistent messages and provide proper direction.

9

Use the "GPS" system – get participation swiftly

Embedding change means anticipating and mitigating resistance

To accommodate change while sustaining performance, the entire organization must be engaged. There is no room for silos. Speed and inter-departmental cooperation are imperatives. End users face a lot when they must learn new technologies on top of new work practices, and they can become overwhelmed without readily visible benefits. Misuse or non-utilization of such technologies is a real danger if end users are uncomfortable with change or unwilling to adopt new approaches. And this invariably decreases, sometimes substantially, the benefits you set out to achieve. It is imperative to embed the new ways of working across the organization, anticipate potential resistance, incorporate mitigating strategies and avoid end user workarounds.

To develop end user acceptance and embed change in the organization

- **Celebrate "quick" wins** with end users by providing rewards and recognition for those who achieve positive results with the new solution. This goes a long way towards gaining organizational acceptance. Also, encourage peer-to-peer knowledge sharing – people are usually happy to share what they have learned with co-workers.

- **Decommission your legacy system** in a timely manner. The longer the old system remains available, the less urgency there is for end users to let it go and leverage the new system to do their jobs. A legacy system often needs to be available for view-only access to historical information, but does not need to be available for performing system transactions.

- **Identify what's behind any lack of usage** of the new technology. Is it discomfort with new technology, a simple lack of computer skills, resistance to change or a lack of positive reinforcement? Once you know the underlying reasons, you can properly address the issue and get back on track. If necessary, provide refresher training to those in need.

- **Reiterate the benefits of the new system,** highlighting the "what's in it for me?" question and the value of properly following the new business processes.

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Missing a turn doesn't mean the end of the road

Identify, deal with and defuse unanticipated impacts

You will face unanticipated impacts. It's a given in any major project. These impacts that you did not analyze properly or that were missed altogether in earlier phases of the project can seriously affect solution benefits if they are not managed effectively. If employees depend on particular business processes that were incorrectly designed, or face impacts that were never anticipated or accounted for, they inevitably revert to wasteful workarounds to cope in the new ERP environment. And if workarounds cannot be found, work efforts will be delayed or stopped, and valuable time will be lost.

You can manage the problem of unanticipated impacts by taking several key steps

- **Manage expectations** at go-live. Let end users know that, while there will be some issues, the project team is well equipped to deal with any challenges they encounter. You will never get it perfect the first time, so conveying a sense of confidence that you are able to handle things as they arise encourages users to raise issues and even provide possible solutions.

- **Provide clear feedback mechanisms** so users can notify the project team of any discrepancies and ensure the search for a solution is a high-priority item. Identifying and dealing with these unanticipated changes and impacts efficiently and effectively is critical to keeping the solution from being seen as a failure. Give people a sense of when they can expect fixes so they are not left thinking the worst. In the absence of effective communication, rumours can kill a good project.

- **Empower super users to deal with issues** and determine solutions where appropriate. They will be your best ally in the field when issues arise. If they can handle certain problems effectively, end users gain confidence in their knowledge and abilities and maintain a positive outlook.

- **Identify areas for continuous improvement** and let end users know you're always looking to enhance the solution. Encourage engagement by rewarding those who submit improvement opportunities.

With the price of gas these days

As businesses recover from financial crisis survival mode, they simply can't afford to have major projects fail. The costs are many and potentially great: wasted time and expense, resources diverted without payoff, damage to organizational culture, employee malaise – even compliance can become a costly issue if controls are not properly implemented and utilized.

If you're undertaking an ERP implementation project, it's imperative that you realize expected benefits and justify costs. The process is long and complex, but if you know where to look, there are savings to be had – and efficiencies to exploit – right down the line. We see opportunities to avoid pitfalls and incrementally improve your chances of project success, both in the short term and with positive outcomes going forward.

ERP change management checklist

Here's a short checklist for you to gauge the health of your ERP implementation.
Without the following in place, your program is at serious risk of failing:

☐ Do your employees really understand the need for this change and how it will benefit them?

☐ Do you have a clear project sponsor who is actively leading the change and removing barriers to success?

☐ Do leaders in your organization understand and agree on the objectives of this implementation?

☐ Do leaders agree on the high priority of this project in relation to competing initiatives?

☐ Do you have mechanisms in place (change network, project email/website, etc.) to allow for employees to provide feedback and input?

☐ Is your training program tailored to specific roles that employees will have in the new world?

☐ Do you have a plan in place for sufficient support onsite after you go live?

To learn more about making your ERP journey successful and rewarding, please contact:

Philip Hofton
514-393-5506
phofton@deloitte.ca

Kevin Horseman
613-786-7503
kehorseman@deloitte.ca

Greg MacQuarrie
902-721-5555
gmacquarrie@deloitte.ca

Kate Morican
613-786-7598
kmorican@deloitte.ca

Kathy Parker
416-775-7423
katparker@deloitte.ca

Andrew Pau
604-640-3295
apau@deloitte.ca

Heather Stockton
416-601-6483
hstockton@deloitte.ca

Anika Vinkovic
416-775-4711
avinkovic@deloitte.ca

Van Zorbas
403-503-1460
vzorbas@deloitte.ca

www.deloitte.ca

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