The Importance of Change Management in ERP Deployments

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Introduction

It takes more than money to get an Enterprise Resource Planning project off the ground. Without a doubt, today's high-priced ERP systems promise real-time insight into sales patterns, higher productivity and streamlined business processes. But no amount of bells and whistles can replace employee buy-in. In fact, a recent Panorama Consulting report reveals that 38 percent of respondents cite lack of employee buy-in as the biggest problem facing ERP project teams. Nineteen percent identified a lack of project resources while only 10 percent indicated lack of project budget as their biggest challenge.

ERP Deployment Tips

The problem, according to Michelle Vargas, a certified project management professional and consultant in Fort Worth, Texas, is that many companies fail to treat change management as a critical step in any ERP deployment plan. Change management is the formal process of convincing stakeholders to embrace change via training, making adjustments to business processes and ultimately winning support. After all, ERP projects impact every aspect of a business, from sales and marketing to inventory and merchandising. Companies that neglect to prep their employees for these enterprise-wide transformations are likely to encounter resistance.

“If a leader fails to bring about effective change management, this can lead to partial or catastrophic ERP project failure,” warns Vargas. “ERP project failure can result in significant cost overruns, falling behind schedule and delivering poor ERP functionality.” Companies that adopt a formal change management strategy, on the other hand, are six times more likely to execute change initiatives that deliver the required business benefits and results, according to a study by change management research firm Prosci. Fortunately, Vargas offers these four tips on how to bring about effective change management in the wake of an ERP implementation:

Be Prepared to Pay

Many companies set aside just enough money for an ERP project's hardware and software. But these expenses are only just the beginning. So too must companies be prepared to invest in employee training, systems integration and customization in order to reap real value from their ERP implementation.

“ERP change initiatives require significant business investment and transformational change over an extended time period to be successful,” says Vargas.

For starters, companies must invest heavily in the customization of an ERP system to suit their unique business needs and technical requirements. In fact, it's not uncommon for customization costs to out-run the cost of an ERP system itself. Next,
change management requires the proper integration of an ERP system with legacy systems as well as other software applications. And finally, a portion of an ERP budget must be allotted to training. Because ERP touches each of an organization’s lines of business, it’s critical that employees receive proper training on new business processes whether in the form of formal classes or mentoring programs.

**Look beyond Tools**

These days, there are countless change management tools and OCM (Organization Change Management) methodologies to choose from. Prosci, IMA, IBM, SAP – they’re just a handful of vendors offering tools that enable companies to prepare for, manage and reinforce change. But while they can help companies stay the path, Vargas warns of the danger of getting too caught up in templates and frameworks.

“Some organizations think that technology, tools and templates alone will deliver successful change management,” she warns. “They are dead wrong. Agile, Scrum, Lean, Six Sigma and other methodologies are not the complete answer either.” Instead, Vargas says companies must keep the lines of communication open with employees to identify signs of resistance and gather feedback on changes in processes.

**Make Change Fun**

Implementing ERP might be serious business but driving change management can still be fun. “Gaming, gamification and serious game technology tools are utilized by Fortune 500, Global 500 and defense and government organizations worldwide to engage ERP system users and to solve problems,” says Vargas, noting that ERP heavyweights like SAP and Salesforce.com have introduced elements of gamification into their respective ERP systems to drive adoption. “Gamification can improve ERP system return on investment, user engagement, user adoption, quality, schedule, cost, compliance, cycle time and training, in addition to other key areas.”

For example, allowing employees to earn achievement badges, participate in online rewards challenges or enroll in a points system are all ways in which companies can encourage employees to learn more about a newly launched ERP system and how it’ll impact their everyday activities. Because of the stickiness of games, employees are far more likely to spend hours engaging while at the same time learning what they stand to gain from ERP.

**Work Together**

Keeping employees convinced of ERP’s inherent value takes more than simply a couple of online training modules. Constant communication is key to keeping disparate departments on the same page and equally motivated. That can be a challenge for large and
geographically scattered enterprises. Enter real-time collaboration tools. Cisco TelePresence, Cisco WebEx Meetings, HP Halo Telepresence, GoTo Meeting Web Conferencing, Microsoft Live Meeting and Microsoft SharePoint are only a few examples of collaboration tools companies can use to keep employees up to date on any ERP-initiated changes.

Nevertheless, Vargas warns there’s a fine line between uniting employees across an enterprise and overwhelming them with details. “On the positive side, the ERP project leadership, team and stakeholder groups share knowledge and build consensus, in addition to working together to achieve successes and to overcome challenges together,” says Vargas. “However, real-time collaboration technology tools can results in an overload of project meetings, information and decisions, including conflict and problems.” All the more reason to listen to employee feedback and be willing to tweak change management processes as needed.

Conclusion

Implementing an ERP solution can be a long, complicated, and often very difficult process. After all, change is rarely ever very simple. However, most would also agree that the rewards of a successful ERP implementation almost always justify the effort. Perhaps by heeding the advice of an expert and paying close attention to the tips provided in this article, you can embrace the necessary changes and realize the maximum benefits – as well as minimal challenges – of your own transition to a new ERP solution.