

How to Avoid the ERP Blues

*Advice for executives
who are leading
IT-driven change*

By Richard McKnight, Ph.D.

*With assistance from Alan Kosansky, Ph.D., Kevin McCormack, Ph.D.,
Jim Piermarini, and Allen Zaklad, Ph.D.*

If your company is installing, has installed, or is considering installing ERP software, you are probably already aware of this: despite the expenditure of millions of dollars each and the dedication of dozens (sometimes hundreds) of staff people, 60% of ERP projects fail to deliver the results expected of them. This statistic, reported by The Conference Board means that 6 out of 10 ERP projects are not on time, and/or budget, and/or don't deliver the value expected from them a year or more after launch. Additionally, The Conference Board found that, in most cases, implementation costs are 25% over budget. If this seems like a high failure rate, this is the most favorable outcome across several studies we know of.¹

The point of this article is to help you avoid the fate of so many other firms.

But who are we and why should you listen to what we have to say?

We are management consultants with an average of over 20-years experience each. We have backgrounds in organizational behavior, chemical engineering, and operations research. We have expertise and experience in organizational behavior, supply chain operations, and IT; both as consultants and as employees of fortune 500 companies. We all have deep expertise in technology installations (including ERP) and in supply chain management. We have seen the failure of ERP close up and have helped senior executives avoid such failure. You should also know that we do not sell software and that we have no axe to grind. In many instances, ERP is exactly the right solution, but in most cases, the way it has been installed has undermined its potential and created organizational crises.



*www.profitpt.com
(866) 347-1130*

Executives are busy people who like to get right to the point. Here it is: your large and expensive technology project will create organizational upheaval the likes of which your organization has never seen before whether your IT project delivers on its promise or not. And while a crisis is avoidable, it is likely that your organization is not prepared for what is to come, will suffer from it, and you will see diminished productivity as a result of IT-led change, perhaps permanently. The ideas presented here can help you avoid this outcome. And here is the kicker: it is quite likely that no one in your organization knows how to manage the change you are about to undergo, including you. This is almost certainly true of your ERP provider and their partners as well.

Accounting for the colossal failure of IT projects (estimated by Morgan Stanley to have cost American businesses hundreds of billions of dollars), a recent article in the *Wall Street Journal* stated that:

*...every technology project ultimately unites strange and reluctant bedfellows: business executives and IT professionals. These are types that who live in different worlds and speak different languages.*²

We would add to this that internal IT professionals and business executives both tend to see IT as a kind of magic bullet that miraculously turns a company around once it is installed. This is where the problem usually begins: both think that the promise of IT will manifest as the organization is forced to comply with the demands of the technology.³

The same viewpoint is taken by the ERP firm and its partners, only more vigorously. It may interest you to know that when you or other members of your internal transition team are out of earshot, these parties often refer to the ERP installation process as a "death march."⁴ They use this language not merely because they know their methods create upheaval and distress but because they understand that a no-holds-barred approach is the best way to fulfill the terms of their contract and move on to other engagements. The ERP firm and its partners will offer much in the way of assurances about their interest in helping you with "change management," but look closely: typically offered is only training and try it out "sandbox" sessions. This is wholly inadequate for preparing your organization for what you will be going through.⁵

A Typical ERP Failure Scenario

Collectively, we have been involved in over a dozen ERP installations, playing various roles. Below is the typical ERP installation drama as it plays out over time. Invariably, it begins with the best of intentions on the parts of all



www.profitpt.com
(866) 347-1130

concerned. Without forethought and foresight, however, four predictable problems lead almost inevitably to disappointing results.

Problem 1: Assuming That One Size Fits All

Senior management, seeking operational and administrative efficiencies, contracts to install ERP. It's potential payoff in streamlining the enterprise and achieving cost savings is enormous. (See *Sidebar*, p. 6, for the potential benefits of ERP.) In the sales process, the ERP firm commonly urges management that a best practice approach to ERP is best: do it the way the leaders in your industry do and you will get the results they get. What is not said is that, *if* this is the "best" approach, it's often best for the consulting firm, not necessarily for the client: if the client can be convinced to limit customization, the firm gets to deliver an off-the-shelf product. Further, if the client buys, the consulting firm becomes justified in pushing aggressively for compliance.

Problem 2: No One Owns Responsibility for Managing Change

Despite the fact that over 90% of companies that have installed ERP say they didn't do enough to manage organizational turmoil, most haven't a clue as to how to minimize organizational distress nor to make it all seem worthwhile.⁶ The senior team has heard horror stories about ERP failures, but all parties reassure them: "we won't let that happen here."

Reality: your organization is undergoing not just change but gut wrenching transformation. Successful organizational transformation is the difference between water and ice, gas and solid, democracy and dictatorship, command and control and participation. It's huge. But think of everyone who reports to you. Among them, is there a person who truly understands how to effect deep and enduring organizational change across an entire enterprise? Several studies show that even the typical HR head – nominally the person responsible for leading change – is conspicuously underdeveloped in this area.⁷

The failure to take responsibility for organizational change stems not only from a lack of expertise on the subject. It also flows from the different perspectives about IT and its transformative ability held by the various parties involved. The chart below summarizes those views.



www.profitpt.com
(866) 347-1130

Party	Perspective About IT-Driven Change	Resulting Actions and Consequences
Senior Executives	We have to streamline and standardize our operations and processes. In turn, we'll save money. This is a simple, rational strategy issue. If we have the right IT, we'll get the results we want. We have good consultants and internal staff who can handle it.	Delegate all leadership for this work to staff and consultants. No change management plan – until disaster strikes, then the senior executives step back in.
Consulting Firm(s)	You need only do what the “best in class” companies in your industry do to achieve the gains you want. This technology will create change almost automatically. You can brook no deviation, however, as you go along; it's all or nothing. Don't worry: our training courses will prepare the users and everyone lives through it.	The consulting firm's forced march makes a lot of employees angry. Training does not begin to handle all the organizational stress much less to create the buy-in by the very people whose changed behavior is most needed. The consulting firm develops a training plan but no comprehensive change management plan.
Internal ERP Team	It's our job to make sure the consultants are on time and on budget. We'll try to “grease the skids” for them so it goes smoothly.	No felt responsibility for creating a change management plan.
Process Management Team (If there is one)	ERP only introduces the subject and need for business processes. We'll make sure they get defined. It's up to the senior executives to make sure they get implemented.	This group defines the processes, but feels no responsibility for organizational change beyond making sure employees understand the processes that are defined; i.e., more training. There is still no change management plan.
Users	Victim mentality: What the hell is this all about? Have they lost their minds?! This is costing <i>how</i> much??	Foot dragging, passive resistance, pleas for special treatment.



www.profitpt.com
(866) 347-1130

Problem 3: “Forced March” Mentality

ERP fundamentally changes traditional organizations; it attacks silos and lays down efficient, customer-friendly cross-organizational processes – at least in theory. But implicitly or explicitly, the key message from on high is, “Conform or else.” This message meets with the enthusiastic approval of the consulting firm; it wants to get its job done and move on. Staff groups that are on the hook to avoid delays in implementation adopt the “forced march” mentality as well.

Since employees in traditional organizations do not have an understanding of ERP-driven business processes or their potential benefits, they cannot see how ERP “fits” the existing system. They can only see their job, their department, their customer, their way of doing things. This makes the whole endeavor seem like a needless and expensive hassle to them. Consequently, many employees are disinclined to make the sacrifices required. When users hold out for the old ways of working, they are at risk of being labeled “non-team players.”

In the early phases of most installations, technical people make an effort to conduct interviews with end-users to ascertain their working habits and needs. But these interactions are often cursory and conducted by people who only vaguely understand the process in question and the unique needs of customers in a given area. To make matters worse, customer-facing people are often required to attend numerous meetings they regard as tedious and unnecessary. Commonly, decisions about basic processes are made without closing the loop with those providing input.

Employees at the middle-level chafe at the violation of a time-honored organizational “law”: those at the top can tell others what to do (strategy), but those lower down get to say how that work is accomplished (execution).

Problem 4: Failure to Deal With the Moral Meaning of Organizational Change

IT-driven change tampers with unspoken but nonetheless compelling ideas of fairness, duties, rights, and obligations held by large numbers of employees about their work and “the way we work here.” These are moral issues. Prior to the IT initiative, senior managers have in most cases upheld and supported the old ways of working, yet make themselves appear to be enemies of employees when the IT-driven change upends them. Management professors Lynne Markus and Robert Benjamin get at this when they observe that “IT is a package of ideas about how people should work differently.”⁸ Yet, if these ideas lack moral authority, those ideas are apt to appear reprehensible.



www.profitpt.com
(866) 347-1130

Superficial knowledge about organizational psychology leads many executives to the view that “people always resist change” or worse, that “people in *our* organization always resist change.” This obscures rather than clarifies and makes change more difficult by branding employees with legitimate concerns as “resisters.” In fact, most employees probably see the existing system (no matter what it is) as not only reasonably effective and efficient, but also as fair, equitable, and just. In other words, they see it as a rational moral order. When IT systems threaten that order, people *will* react. As a senior executive, your job is to enable employees to see the new system as fairer and more just, not just as one that makes more economic sense. This is accomplished best through true two-way communication in which you are listening to the concerns of others as much as you are expressing your own.⁹

Disappointing Results

As the release date nears, large groups of users begin to feel not only that ERP is the enemy of their customer, it is also an enemy to *themselves*: it forces them to change the way they have to work, throws aspects of the present system – which they’ve helped create – onto the garbage heap, and threatens job security. Because organizational change is not managed properly, these feelings are neither anticipated nor elicited in a forum where they can be addressed constructively. Thus negative water cooler talk turns often into passive resistance. Fingers are pointing in all directions, but no one is saying what is really going on. Disaffection with management abounds: “How could they let all this happen?” “What’s gotten into them?” “This used to be a good company to work for.” These feelings are bolstered as employees begin to discover the cost of the effort (often \$100MM or more) and the salaries of the consultants.

As the installation process continues, requests, pleas, and then demands for variances to the “one right solution” increase. Better-endowed divisions often

Nine Good Reasons to Install ERP

When top executives make the pitch for ERP to their Boards, typically they make their case on these potential results.

1. Transforms unstructured process into routinized transactions.
2. Makes processes independent of geography by making information flow across large distances with ease.
3. Automates: replace human labor in a process.
4. Brings complex analytical methods to bear in decision processes.
5. “Informs”: brings vast amounts of detailed information into a process.
6. Allows multiple tasks to work in parallel while still being coordinated synchronized.
7. Captures and disseminates process knowledge (process metrics and relationships).
8. Can track the detailed status of activities, events, and dollars within a process.
9. Disintermediates: eliminate the “3rd party” between two parties. This is often discussed as removing layers of management that were there for measurement and reporting.



www.profitpt.com
(866) 347-1130

begin hiring independent programmers to adapt tried-and-true systems as patches to the “approved” ERP routines and templates.

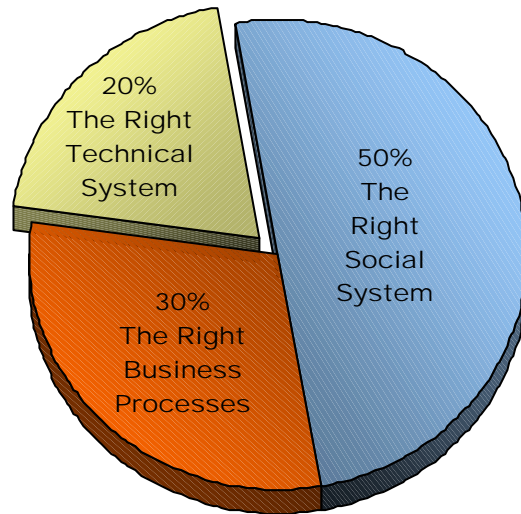
It’s generally true that ERP directly touches only 30% of the activities within a process, but installation often has massive impacts on the other 70% that are “out of scope.” This puts a lot of pressure on local managers to “handle it” as unanticipated consequences reveal themselves, but these managers often lack skill in “handling it” and lack the required resources and authority to make things work.

Add all this up and the ERP effort fails to come in on budget or on time and the expected benefits from ERP remain elusive. The famed ERP “productivity dip”¹⁰ may pass, but employee morale is at an all time low. Some of the best people leave the company. The production problems that were the target of the initial interest in ERP persist. In the most poorly managed installations, heads roll as the higher-ups (and increasingly, Boards) look for people to blame.

Keys to IT Success

The keys to success in implementing an IT strategy are no different from those driving success in other types of strategic initiatives. Strategy implementation, the ability to fully realize and sustain the gains possible from a brilliant strategy, requires a sophisticated, highly collaborative human system, one that fully supports execution. As technologists, business process experts, and organization development consultants, we believe that the human system accounts for 50% of the variance in successful organizational change.

This perspective is summarized in the



Drivers of Sustainable Organizational Change

chart, below. The remainder of this article spells out the major steps in preparing the human system for IT change and for enlisting every employee as a part of the successful conversion.



www.profitpt.com
(866) 347-1130

Organizational Alignment Begins at the Top

In the following section, we will introduce the idea that successful strategy implementation consists of accomplishing four “jobs.” We will claim that this work will align the entire organization around any organizational strategy, including an IT strategy. But if this is the work of strategy implementation, whose work is it? Ultimately, every employee needs to take responsibility for strategy implementation, but an aligned senior leadership group must guide the effort, moving forward as a unified team, speaking with one voice.

But here’s the rub: teamwork like this at the top is very rare.¹¹ There are many factors generally working against teamwork at the top, among them zero-sum compensation systems and proclivities towards interpersonal competitiveness on the parts of most top executives. But ERP often introduces specific and unique tensions that detract from top team alignment because IT impacts the organization differentially across its various businesses or divisions. In other words, in most ERP scenarios, some executives will gain power, influence, and authority, and some will lose it.

As an example, in a recent consulting engagement, it became clear to us that the executive heading up the largest business stood to lose authority and status as ERP was fully implemented. Ironically, this executive was the executive sponsor of the ERP installation. Yet the CEO had never made this executive’s impending losses a subject of discussion. As the release date neared, this executive became conspicuously more testy and tense, and not merely because of the usual concerns about how successful the launch would be.

Space does not permit an in-depth discussion of the tasks involved in effecting senior executive alignment, but this much needs to be said: top team alignment will not occur if the CEO does not drive it. No one else can make it happen. If you do not know where to start or are not comfortable with getting your group of direct reports to talk straight with one another, get help. Our counsel is to reach outside the organization to an independent consultant who knows the issues involved in ERP but who can also help effect teamwork among high-powered executives.

Seek Independent Consulting Help in Creating Organization Change

It is important to keep in mind that the various parties involved in IT-driven change – at a minimum you, your executive team, the ERP firm and its partners,



www.profitpt.com
(866) 347-1130

the IT department – have differing perspectives, goals, and agendas. It is easy to get confused as to which of the many competing demands to heed at any given time and to forget that none of them, as we've said repeatedly, can or will carry the overall responsibility for managing organizational change. If anyone steps up, it will have to be you. At the risk of appearing to be self-serving we believe there is a role for a neutral party who can help create forums to enable the various stakeholders to align their interests. Consultants with organizational change skills, we believe, can bring the neutrality, broad organizational change experience, and creativity necessary to accomplish the steps you see below. This will, of course, add to the cost of your project. But if it seems expensive to spend one-half to one-percent more to make sure your \$100MM project is successful, consider the cost of its failure.

Manage Transition to Get Change

William Bridges, author of *Managing Transitions*, observes that while we usually use the words change and transition interchangeably, there is a world of difference between the two. While change can be effected with the stroke of a pen (on the first check to the IT provider!), transition, which follows change, is often a protracted, painful process. In the workplace, change is typically caused by an event, usually a rational decision. But transition is the messy, emotion-filled, lurching human process that follows change. Bridges also observes that as the significance of the change increases, the length and difficulty of the transition increases.

According to Bridges, transition has three phases. First, there is a painful process of *ending* during which employees tend to resist the change or fall into a kind of shell shock as change unfolds around them. Then comes the longest phase, *the neutral zone*; it's clear that the old world is dead, but it is not clear what has replaced it and people are pining for the old days. With careful management – and only with careful management – organizations reach the *new beginning* phase. And by “careful management,” we mean that the company has found ways to enlist and engage employees to make them – not top management, or the IT department, or the ERP consultants – the drivers of change.

Do the “Four Jobs” to Align the Entire Organization



www.profitpt.com
(866) 347-1130

After consulting to over six dozen Fortune 500 firms, we have come to know that organizations that fulfill the vision held out by their strategy invariably do the following to develop the human system mentioned above:

JOB 1: Make sure that all employees understand the strategy, including the IT strategy; what's going to change and what won't change, and the reasons behind the changes.

JOB 2: Build employee enthusiasm for and commitment to the strategy, or at least to the good things it will lead to.

JOB 3: Align all work unit effort with the strategy.

JOB 4: Ensure cross-functional collaboration throughout the organization in support of the strategy.¹²

How does it look to fulfill the Four Jobs in the context of an ERP installation?

Companies that successfully install ERP cultivate an understanding on the parts of all employees of the rationale behind ERP (Job 1). More importantly, effective leadership teams make a concerted effort to enlist the enthusiasm of employees for the gains promised by the ERP system (Job 2), especially those most effected by the change. This speaks to the need to create a moral imperative for change, touched upon above.

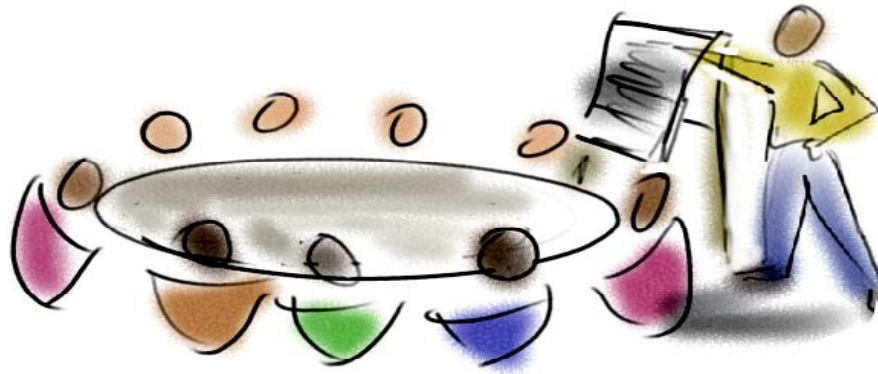
Truisms About IT Change

1. People, not technologies, create organizational transformation.
2. Only people who are empowered can create change (must have resources, decision power, etc.).
3. IT can deliver only one ingredient for empowerment and transformation: valid info, quickly delivered.
4. Compliance may be necessary, but it is hardly sufficient.
5. People must be excited *about* IT; they won't be excited *by* it.
6. If people cannot see why they should endure the pain of IT transitions, they will fight it.

(Adapted from M. Lynne Markus and Robert I. Benjamin in "The Magic Bullet Theory in IT-Enabled Transformation." *Sloan Management Review*. Winter, 1997)



Avoiding the ERP Blues



The goal of Jobs 1&2 is to have employees (i.e., ERP users) feel like part of the *solution*, not merely the IT department's and the ERP firm's biggest problem. ERP will fail if key employees across the affected systems do not support it. And they will not support it if they neither understand nor believe in it. When you hear management gurus admonish executives to engage the hearts and minds of employees, this is what they're talking about.

But here's the irony you'll have to find a way to deal with: you probably won't be able to accomplish Jobs 1 and 2 without letting your employees tell you they don't think the company needs (or can tolerate) ERP. There is a profound and paradoxical truth about employee buy-in that you should know: if your employees can't say "No" to ERP, they probably won't be able to say "Yes" to it, either. In other words, if you encourage employees to express their heartfelt concerns about ERP (and believe us: they have plenty), the majority of employees will feel heard, respected, *and* ready to move more fully into a supportive role with respect to ERP. Fail at listening and you will be dragging innumerable anchors the entire way.

Job 3 has to do with making sure that every work unit affected by ERP (and that often means 90% or more of the employee population) is fully aligned with the letter and spirit of the effort. As stated earlier, the ERP firm will agree to deliver a lot of training and will most likely assure you that this will do the trick. But don't believe them. Make sure you roll out all of the technical training the contract provides for – and then some. But don't assume that this will align all local effort with your desire to trim costs and streamline operations. This will not happen automatically and most people will believe that the associated deadlines are arbitrary. Doing a thorough good job addressing Jobs 1 & 2 lessens this risk, but doesn't eliminate it entirely.

This is the "Pay me now or pay me later" reality concerning ERP installation. Dow Chemical had a successful SAP rollout because they did Jobs 1 & 2 first.¹³ The majority of ERP-installing companies do it after – if at all – because the



profitpoint™

www.profitpt.com
(866) 347-1130

conversion is not producing the expected benefits. While it's better late than never, doing it after the fact is always more difficult, not to mention expensive.

While Dow Chemical has had plenty of other kinds of difficulties lately, it has done SAP right. First, Dow worked arduously to train its managers in process thinking and how it could help them achieve their business objectives. Providing them with methods and tools, company executives asked the managers to take ownership of and develop the process "view" of their work systems before SAP was deployed. As a result, Dow managers had a good understanding of the overall system impacts of the new enabled processes and could integrate them successfully with SAP. In fact, the managers often discovered system wide improvements that speeded SAP conversion and helped to integrate SAP with business processes.

Build and Use Human System Control Loops

Imagine what it's like to drive at breakneck speed with a fogged up windshield; you might be get someplace fast, but you're not sure where. Further, imagine that you've lost your sense of hearing. This is what it's like to attempt the Four Jobs without a way to know how much progress you're making in what arenas and which parts of the business. No sane, sober person would do this, but thousands of executives will gladly spend millions of dollars on technology solutions that require the enthusiastic support of employees but proceed without ever knowing for sure whether or not they're onboard.

Control Engineering 101 says that if you want to remove the variance in a system, you have to know how it's behaving. This is as true of a human system as it is of a financial, technical, or manufacturing system.

One of our client organizations found that despite successful efforts to enlist employee enthusiasm for the IT strategy in most parts of the company, one division seemed to be dragging its feet. "Oh, those people are always like that," we were told. "Their offices are not even on our campus and they serve a small, unique market." We were puzzled: "But isn't this the division that represents the growth opportunities for your business? Is it really OK that they behave counter-culturally?" On our advice, the client conducted some focus groups and learned that employees in this business really wanted to become more mainstream; they were tired of the outsider status. They had no idea that their work was key to the future of the company. Once management understood their feelings, steps were taken to assure them of their worth. Now, they're in the forefront of creating the company's transformation.

1. Some call this a learning organization



www.profitpt.com
(866) 347-1130

2. Change does not proceed as a linearly increasing function
3. Anyone who has had anything to do with ERP knows about the famed “productivity dip”
4. The value of a feedback loop lies in the mid-course correction opportunities it offers

Success With ERP: A Mountain Climbing Analogy

We are currently working with a well-known chemical company that has chosen to install SAP. Wisely, the senior executives have committed simultaneously to making their company more process-focused, acknowledging that a process orientation is at the heart of SAP anyhow and that becoming process-driven will not only enhance their chances of SAP installation success, but will further streamline global operations. They are reasonably well aligned as a senior team, much more than most. A pilot release in one part of the organization, however, was a disappointment; the data set was corrupt and three months after the release, the company still cannot close the books in that business. This is especially disturbing to the senior management team since it had been assured for months that the installation was on track. The project schedule calls for a second, more extensive release in a few months time.

When we conducted a round of interviews of all senior executives, we detected palpable tension with respect to the company’s progress. Mostly engineers by training, this is not a population given to emotionally laden language. Thus, we were struck by how often the executives used words in the interviews like “anxious,” “worried,” and “scared” as they discussed how things were progressing. Some of the metaphors used to describe their circumstances were ominous as well. For example, one executive said, “We are on a balance board nearing a hole in the ice.” Another said, “Imagine a teeter-totter that has ‘*The Way it Used to Be*’ at one end. At the other is ‘*The Way It’s Going to Be*’ at the other. We’re about to tip and I’m not sure we’re ready for it. Some people will lose a lot.”

At the client’s request, we administered the *Business Process Orientation Maturity* survey to the top 100 executives to assess how far along the company had proceeded on the path to becoming a process-driven company.¹⁴ The survey and interview findings revealed that while the company had made significant progress in defining their business processes, they needed to make some critical decisions, especially those concerning organizational structure, resource allocations, and governance. (The capital budgets were still under the control of



www.profitpt.com
(866) 347-1130

the functional business heads, not the process owners.) Further, the senior executive team seemed at a loss as to how to manage the organizational turmoil already present and anticipated.

In feeding back our findings to the CEO and his direct reports, we introduced the metaphor of a mountaineering expedition. “You have made it to base camp,” we said, “and this a laudable accomplishment. But you now face the hardest work – and your ‘weather window’ is closing.”¹⁵

We used the graphic on the next page to illustrate this, expressed in terms of “Driving Forces,” i.e., what was working to support a successful “summit climb,” and “Restraining Forces,” what was working against them. (In their case, at the pinnacle was SAP/Business Process integration.) Further, we explained to them that while the steady progress made by staff groups had been successful in getting them to where they are, it would take an additional set of skills (organizational change management) and concerted leadership by the senior executives to get them to the mountaintop.

We continued to use the mountaineering metaphor as we described the work before the organization. This metaphor applies not only to this client but also to any company installing ERP. While trying to avoid adding to their anxiety, we observed that:

1. You can get to base camp with staff groups and middle managers guiding the effort, but you can't get to the top without active top leadership involvement.
2. Success on the trek to base camp is measured differently than on the climb to the summit: you have to accomplish different things, on an accelerated timetable, and change needs to reflect in actual business improvements.
3. Everyone must be brought into and made a valued part of the team; you can't succeed if you're dragging anchors up a mountain and the leaders can't do the job themselves.

We spoke of their tasks in terms of four “Pitches,” a term climbers use to refer to key segments of a climb. We used the graphic below to summarize our perspective on the work before them. They each relate, of course, to the Four Jobs of strategy implementation.



www.profitpt.com
(866) 347-1130

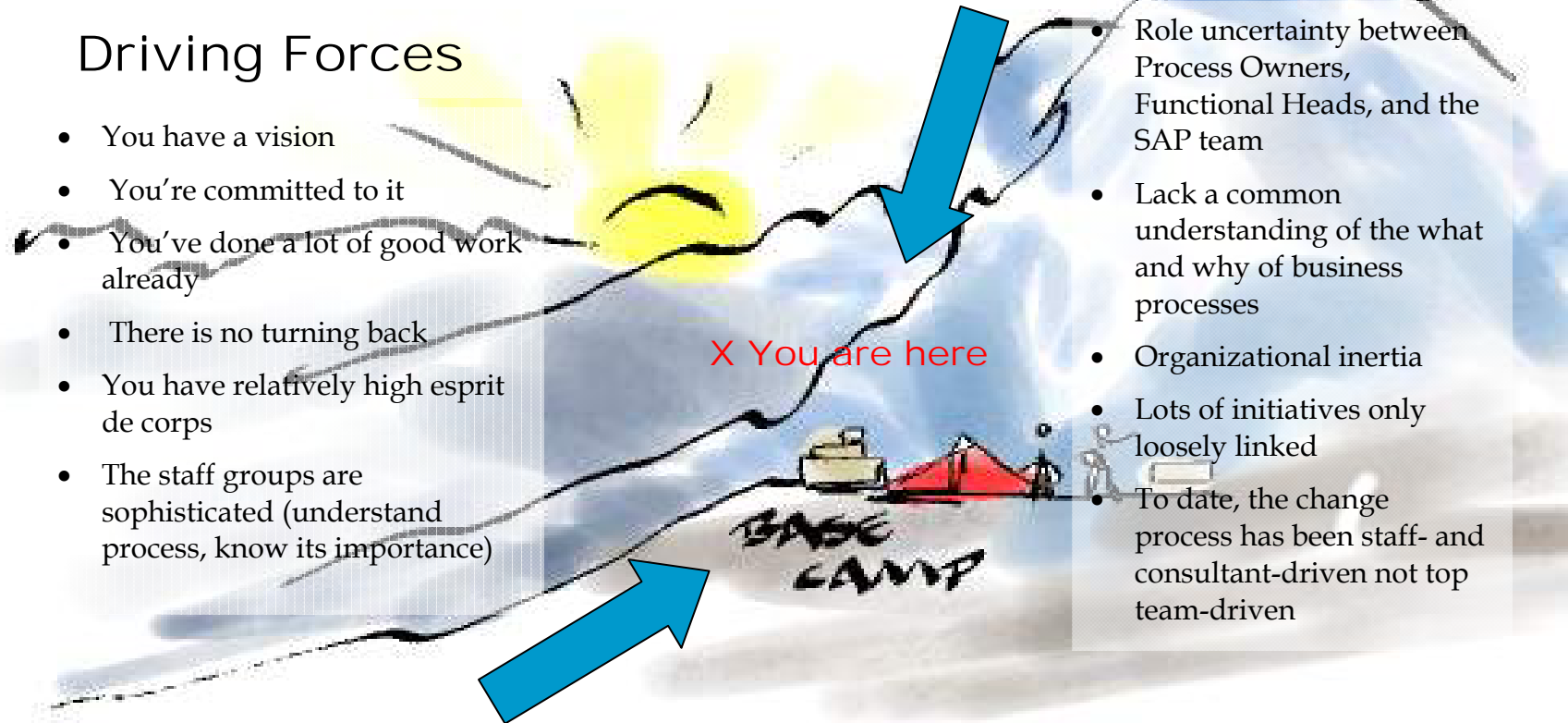
SAP/BP Integration

Driving Forces

- You have a vision
- You're committed to it
- You've done a lot of good work already
- There is no turning back
- You have relatively high esprit de corps
- The staff groups are sophisticated (understand process, know its importance)

Restraining Forces

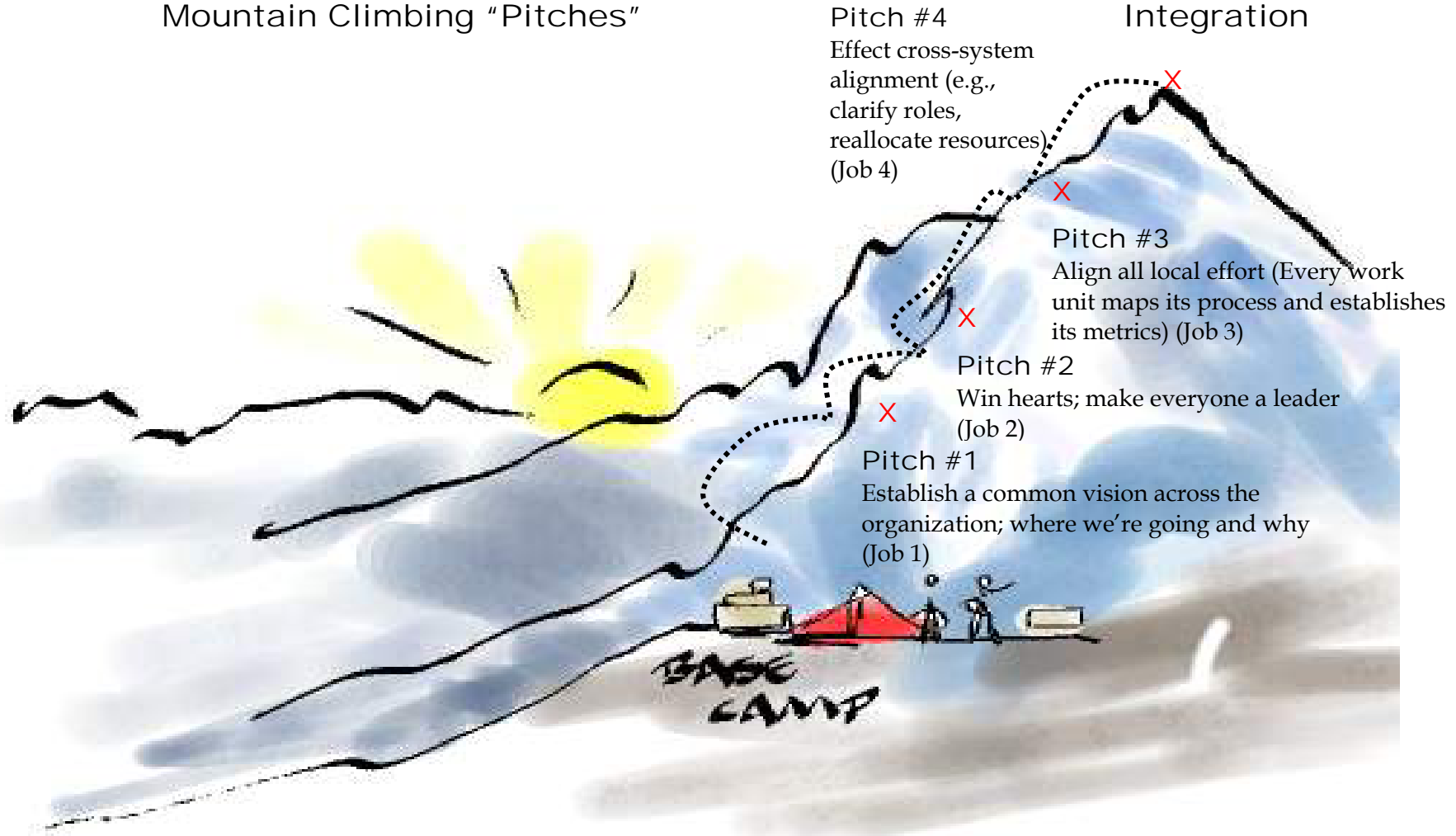
- Role uncertainty between Process Owners, Functional Heads, and the SAP team
- Lack a common understanding of the what and why of business processes
- Organizational inertia
- Lots of initiatives only loosely linked
- To date, the change process has been staff- and consultant-driven not top team-driven



www.profitpt.com
(866) 347-1130

The Four Jobs Expressed as Mountain Climbing "Pitches"

SAP/BP Integration



www.profitpt.com
(866) 347-1130

Avoiding the ERP Blues

Is there an easy way to make this climb? Relatively speaking, accomplishing Pitches 1-3, (i.e., Jobs 1-3) is straightforward, if not altogether easy. Accomplishing Pitch 4 (i.e., Job 4), effecting cross-system alignment, takes more time, requires trial and error, and involves considerable role negotiation. Again, this is unlikely if not impossible, without senior team alignment.

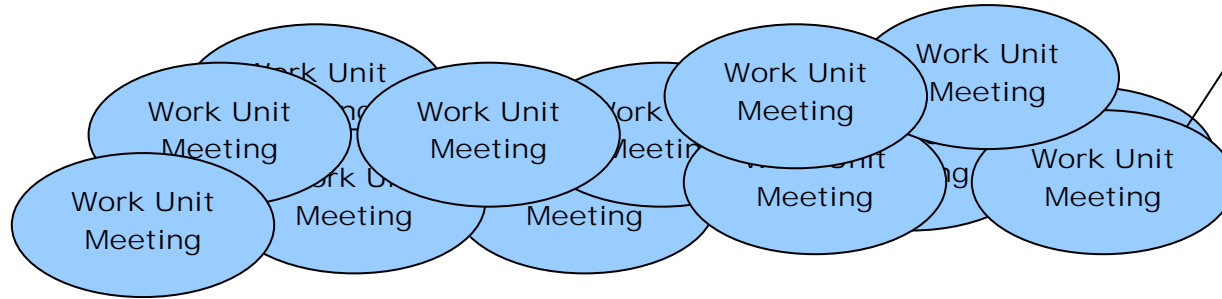
We are telling our client that to obtain different results than most companies that install SAP, they have to *do* things differently, i.e., they have to do a far better job than most of engaging employees. We are recommending a series of deliberations across the organization that will go a very long way to accomplishing Jobs 1-3. These deliberations are depicted below. This intervention will enable all employees to understand the new organizational strategy and its rationale, provide for the kind of give and take that leads to buy-in, and align local effort with the newly defined business processes. The entire process can be accomplished in the several months between now and the anticipated SAP release date and will mitigate against the famed “productivity dip” associated with ERP installations.



www.profitpt.com
(866) 347-1130

Avoiding the ERP Blues

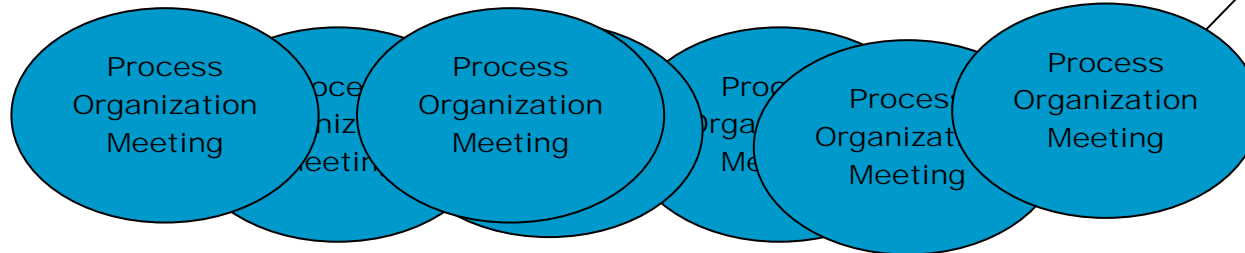
SAP Release



Led by managers, every Work Unit engages in a coordinated exercise to converge existing processes with the new SAP process. In the exercise, managers help employees work through their resistance to change. Employees come away far more knowledgeable about the company's strategy and the reasons for change.



Halfway through, the Top 50 executives review progress of the alignment effort and lend further support.



Each of the Process Owners convene meetings of all managers in their process area to build a common understanding of the need for change, the vision, and its rationale, to engage views about how things are going, and to prepare for the Work Unit meetings.

January



A meeting of the Top 50 executives launches the alignment process.



profitpoint™

www.profitpt.com
(866) 347-1130

Richard McKnight & Associates, Inc. designed and delivered a similar intervention across Prudential Financial (although the organizational change objectives were not technology-driven). Using a similar set of meetings and post-meeting workplace activities, Prudential executives were able to engage over 55,000 employees as partners as they took the company public after 100 years as a mutual company. Due principally to this intervention, employee morale and commitment to the company at Prudential increased dramatically while the company spun off strategically unrelated businesses and laid off employees in many areas.¹⁶

Conclusion

Your IT strategy can look brilliant on paper, but ultimately, its value will be measured in results. Ultimately, the power of your IT strategy will be determined by the degree to which people in the organization understand, adopt, and put it to use. You can inform people of the strategy and insist that they act on it—what seems to come naturally to most senior executives—or you can engage employees as partners in strategy implementation and ensure execution.

Dialogue-intensive processes work because of a simple, profound truth: people support what they help create. In other words, they act as a kind of “force multiplier.” ERPs succeed only when thousands of employees drive change, not just a few staff groups, a handful of top executives, and external consultants. When those at the top set a direction, then take pains to make sure employees understand their logic for the direction, and then support those at the middle and below in determining the best ways to carry out that direction, rapid, coordinated organizational change ensues.



www.profitpt.com
(866) 347-1130

References and Notes

- 1 Dudley Cooke, Lisa Gelman, William J. Peterson, "ERP Trends." (Report #R-1292-01-RR.) The Conference Board, 2001. *Fortune* magazine as well as nearly every IT journal has reported even higher failure numbers.
- 2 Hoque, Faisal, "The Technology Disconnect." *Manager's Journal, Wall Street Journal*, 12/17/02, p. B2.
- 3 This phenomenon is well described by M. Lynne Markus and Robert I. Benjamin in "The Magic Bullet Theory in IT-Enabled Transformation." *Sloan Management Review*. Winter, 1997, pp. 55-68.
- 4 This observation comes from personal experience on the parts of some of us, as we've been involved either as employees of client companies or of consulting firm partners of ERP firms.
- 5 Some of the authors have played multiple ERP roles: we have worked for ERP firms, as employees who have been in ERP installation support roles, and worked as consulting partners alongside ERP firms.
- 6 Dudley Cooke, Lisa Gelman, William J. Peterson, "ERP Trends." (Report #R-1292-01-RR.) The Conference Board, 2001. Also, see Dudley Cooke, William J. Peterson, "SAP Implementation: Strategies and Results," (Report #1217-98-RR.) The Conference Board, 1998.
- 7 For example, see James W. Walker and William F. Reif, "Human Resource Leaders: Capability Strengths & Gaps." *Human Resource Planning*, Vol. 22.4, 1999 and Richard McKnight and Allen Zaklad, "Balancing the HR Scorecard: A Review of *The HR Scorecard*." *Human Resource Planning*, Vol. 24:4, 2001.
- 8 M. Lynne Markus and Robert I. Benjamin in "The Magic Bullet Theory in IT-Enabled Transformation." *Sloan Management Review*. Winter, 1997, pp. 55-68.
- 9 Larry Hirschhorn in has eloquently articulated the moral meaning of change "Changing Structure is Not Enough: The Moral Meaning of Organizational Design." In Beer, M. Nohria, N., *Breaking the Code of Change*. Boston: Harvard Business School Press, 2000.
- 10 10 Dudley Cooke, Lisa Gelman, William J. Peterson, "ERP Trends." (Report #R-1292-01-RR.) The Conference Board, 2001.
- 11 Jon R. Katzenbach, *Teams at the Top*. Harvard Business School Press, 1998.
- 12 For a detailed description of this perspective, see Richard McKnight, "The Four Jobs of Strategy Implementation." *OD Practitioner*, Fall, 2001.



www.profitpt.com
(866) 347-1130

13 "Taking IT to the Next Level" Rick Mullin. *Chemical Week*. August 15, 2001

14 This survey is described in Kevin McCormack and William C. Johnson, *Business Process Orientation*. Saint Lucie Press, 2001. Also, see www.drkresearch.org.

15 We understand that a Mt. Everest climbing expedition has a "weather window" of only about three weeks a year for an assault on the summit. The hostile weather at every other time of the year makes climbing impossible.

16 For example, see McKnight, Richard, "Moving the Rock: Transforming Prudential Through Whole System Involvement." *Proceedings: Organization Development Conference*, Vancouver, BC, 2001 and Jeff Barbian, "Ensuring Hearts and Minds: How Prudential Aligns Its Workforce." *Training*, February 2002.



www.profitpt.com
(866) 347-1130