MERIT SOLUTIONS

Best Practices for Enterprise Transformations

by Merit Solutions

Content

1. Introduction

Today's enterprises have ample opportunities to leverage the advantages derived from being globally operated in order to continuously improve and sustain long-term success. End-to-end visibility, global brand advantages, sourcing and procurement power, and the ability to move quickly on market opportunities are all examples of benefits of globalization. The most successful companies today are those that can anticipate rather than react to those signals.

In an effort to sustain growth, profitability, and competitive advantages, many executives are looking to enterprise transformation projects hoping to align their people, workstreams, and information flows investments more closely together, globally, to create more efficient and effective operations, resulting in higher value to their customers.

Unfortunately, we find that while many companies have made investments in enterprise transformation projects looking to gain improvements, make work repeatable, remove waste, and increase value to their customers - few have actually achieved the business results they targeted.

We believe this is because many organizations still view today's business transformation project as a "traditional ERP implementation".

The purpose of this document is to outline the top five best practices for mitigating risk and increasing the chance that their transformation will drive long-term value.

2. Business Process Modeling

Business process modeling (BPM) is a model-based engineering sub-discipline that can be applied to business analysis and Enterprise Resource Planning (ERP) implementations. The most important part of BPM is to determine the current state (as is) of your people, processes, and systems and to then compare them to the proposed (to be) state that is planned with your enterprise transformation. This will require a lot of research up front to make sure that all of your processes are properly documented.

There are a few ways to do this. Some companies will use general tools like Microsoft Visio, Word, and Excel to document processes as they are uncovered. Other companies will choose professional business process modeling software. Either way can work; the important thing is that you map your current and plan your proposed processes.

Business process modeling:

· Creates a complete and precise model that offers a comparison and contrast of current (as is) versus proposed (to be) enterprise workstreams. The goal of this is to help you most effectively plan what is needed to operate in your future state.

· Improves the productivity and efficiency of the current "as is" workflow by removing waste.

· Helps you analyze fits and gaps between the current and proposed models with technology solutions.

· Helps you find risks and issues between current and proposed. It's best to know and mitigate these risks and issues before implementing a new systems and processes.

· Combines the best practices of business analysis along with visual modeling.

Some best practices for business process modeling when embarking on an enterprise transformation include:

　　• Ensure executive stakeholders endorse the enterprise transformation project and support the project completely.

　　• Hire a project manager to lead the implementation. This is paramount because if you use one of your team members that has other responsibilities, they can conflict with their project management responsibilities.

　　• Share implementation responsibilities between the project manager, the functional departments that are affected by the implementation, and the IT team.

　　• The list of project stakeholders should include all employees that work in the functional areas where changes will be made.

　　• All employees that will see their roles, tasks, or value streams change as a result of the transformation project must be communicated with throughout the project and trained on how to be efficient and effective in their role.

Documenting your current and proposed processes is crucial to the success of an enterprise transformation. Following these best practices while going through your own business process modeling will help ensure your project's success.

3. Fit Gap Analysis

When undertaking an enterprise transformation, selecting the right ERP software for your business is a complex endeavor. You need to make the right decision the first time. While the right ERP software can transform your business, picking the wrong one can leave you with a platform that does not support your organization's continuous improvement or growth goals.

Follow the best practices below to make sure you have a successful fit gap analysis during software selection – leading to a project that finishes within budget, on time, and has tangible business benefits.

Best practices for fit gap analysis:

3.1 Identify your current and future software requirements:

Go to each one of the departments that will be affected by the change in processes and ERP systems and get a good understanding of the challenges you're trying to solve with the enterprise transformation. What areas are "must haves", and what areas are "like to haves"? You must clearly define these needs up front. Doing so will help improve employee buy-in and encourage them to take an active role in the transition.

3.2 Match vendors to your software requirements:

Once you have identified the challenges and processes that you're trying to address within your company, you can then start checking vendors. Remember: if any ERP vendor tries to sell you their product before getting an understanding of current business processes, process flow, and challenges of your organization, be wary.

When evaluating vendors, find out how well-versed each company is in solving challenges like yours. Have they enabled other companies to overcome the same challenges? Can you talk to those companies?

Ask the vendors to provide a demonstration where they show you exactly how their system solves the problems your company is having. If they cannot show you how their software meets those requirements, do not make an assumption that the solution exists. Some vendor might say the functionality is coming in the "next release", but it never arrives. If gaps exist in out-of-the-box functionality, are there any third-party solutions or customizations that can turn the gap into a fit?

3.3 Verify vendor support and training track record:

Find out the size of the vendor and their support staff. For training, how many people will be on-site training your employees on how to use the new system? How long would they be available to your employees after the go-live date? This is when many of the questions and issues arise.

3.4 Allocating enough resources:

Selecting an ERP system is a core part of the project and should not be taken lightly. Don't skimp on allocating enough resources to make sure you have the right people involved. You must get commitment financially, and with enough people, to make sure the project is a success.

3.5 External consultants can help:

Sometimes it can be useful to enlist the help of an outside consultant. This external expert, who has experience with multiple ERP systems, can help you select the right ERP for your company. In this type of situation, it's always crucial to make sure the consultant has the best interests of your company in mind – not those of any software vendor.

Doing a proper fit gap analysis is a critical part of picking the right ERP system for your business. After you have identified your "pain points", you can match the proper vendors to those pain points. Along the way, having the right people allocated to the project (including external consultants) will help make sure your project is a success.

4. Change Management

When you start planning an enterprise transformation, it's critical that you add change management to your project plan.

Change management is an important part of any project, but it is crucial when going through an enterprise transformation. Implementing new systems and workstreams involve documenting and improving activities within the organization, and employees need to be properly trained to handle the changes to their roles, responsibilities, and tasks.

Two of the first things you need to know when considering an enterprise transformation are how your employees are managing change today, and what current challenges they are facing. Knowing these challenges will help you provide change management and proper training. Part of the challenge is evaluating how they currently communicate and provide training today.

Sometimes companies have to learn the hard way that the biggest challenge they will face is not with the systems or processes that they are implementing, but with people in the organization. If your organization is not ready for the change, it can cause a project to exceed deadlines and increase cost or worse yet, put the entire project at risk.

Here are some change management best practices:

• Get management buy-in - One of the best ways to make sure change management is effective is to get management buy-in. Without this, you may run into problems when your budget for change management is cut because management doesn't see the value in it. Having management buy-in also means that all employees can understand the importance of the project. Managers have the ability to incentivize employees to help make the project a success.

• Document current level of competency and skills - Establish a list of current competency and skill levels for all employees. This will allow you to provide the proper training for the right employees.

• Communication is key - Provide frequent communication about the status of the project that clearly explains how the project will impact roles, responsibilities, and benefits.

• Monitor and reward performance - Monitor both group and individual performance during the project to make sure they are aligned with enterprise objectives, strategies, and goals. To help give people incentives, you can provide clear goals and additional bonuses for people that provide consistent performance excellence.

Change management is a critical part of any enterprise transformation. By following these best practices, you can ensure proper change management that mitigates risk and increases the chances of success.

5. Project Management

As we've said before, an Enterprise Transformation initiative takes in-depth planning and risk mitigation. The risks are high because of the importance of workstream and information flow efficiency and effectiveness to your organization. This is why it is so important to have a good project management plan in place before you begin to help ensure your project is a success.

5.1 Clearly define what will make the project a success:

Earlier we discussed finding the pain points and clearly defining them. Use these pain points to help define what will make the project a success. Some examples might include:

• Reaching a certain level of revenue
• Generating a specified level of market share
• Solving a particular pain point that is critical to the organization.

While you don't want to list every single pain point, finding ones that are critical to the entire organization might be good candidates. Make sure that all of these points are measurable and trackable so you will know when you meet your goal.

5.2 Schedule time to improve workstreams:

We know your team members are already busy doing their own jobs. However, it is critical that you take time to document and improve your current workstreams. Many times this requires creating cross-sectional groups that comprise management as well as the people who work on the front line. A good project manager will encourage communication between such a diverse group to uncover existing work flows and create new ones.

5.3 Monitor and manage project risk:

There are risks for almost any project, and an enterprise transformation has more than your average project. If you don't identify these risks at the beginning of the initiative, the repercussions can be costly. You don't want to be the project manager that goes over budget, or worse yet, loses their job because they didn't monitor and plan for the big risks.

Start by identifying the most common risk factors to your project. Some good examples for an enterprise transformation might be:
- What happens if the vendor doesn't deliver on time?
- What happens if your executive team does not support the project?
- What happens if your training doesn't occur on schedule and throws off the whole project?

These types of things will happen. Knowing your risk exposure is all about knowing the probability that the risk can turn into a problem as well as the negative consequences for your project if they do. It's important to manage each risk and have mitigation actions documented in case these problems occur.

5.4 Learn from your mistakes:

Let's face it, you're going to make mistakes; it's part of being human and of course project managers are no exception. This is why it's important to do project reviews to document problems that occurred during your project and lessons that were learned as a result. This will help you have a more successful project next time.

There are many parts to a successful project, and following these best practices will help bring you a few steps closer to your project success.

6. Systems Integration

Odds are good that you have information flows and enterprise applications other than your ERP system that manage different areas of your business.

Maybe you have a payroll package that handles payroll – which means your employee data needs to integrate back to your ERP. Perhaps you have estimating software - and since each estimate will tie into your ERP system, you need to integrate that as well. Or your field sales and services team members have applications that keep them productive when out of the office.

Welcome to the art of systems integration! Here are some systems integration best practices:

6.1 Get companywide buy-in:

Since ERP integration covers many business functions from accounting to sales to HR, you need to make sure you have companywide buy-in and the support of management to do the implementation. In some cases, there may be issues that the project manager or developer does not fully comprehend. By having additional people from your organization involved, they can help ensure vital processes work properly.

6.2 Start with clearly defined goals and objectives:

What type of integration will you need? Will you purchase an integration server or will you implement a point-to-point solution where most of the integration is done by hand? The answer may lie in your clearly defined goals and objectives.

By clearly defining your goals and objectives up front, you can get a good idea as to how often the data needs to be integrated as well as what tools need to be developed or purchased to handle the job.

6.3 Implement system integration in phases:

It's important to implement system integration in phases. This will allow you to ensure existing systems continue to function properly while you integrate processes for your new ERP software. By choosing smaller business processes in the early phases and providing thorough testing, you can make sure that the data is flowing properly.

6.4 Integrate one new system at a time:

Some companies try to implement multiple new systems at once. This can make integration substantially more difficult and should be avoided. By using test databases with existing systems, you can test your system integration processes without harming production data.

Systems integration can be a tricky topic. If done incorrectly, it can lead to data that is out of sync - or worse yet, it can threaten the integrity of your data. You may want to consider outsourcing this important step in implementing your new ERP system. By outsourcing systems integration, you can have someone with experience integrating ERP, CRM, and other systems into one smooth running system.

Whether you do systems integration in-house or have it outsourced, don't forget to include thorough testing in your project plan or you may end up with some big surprises on go-live day.

7. Conclusion

The most successful businesses today did not view their enterprise transformation journey as an ERP implementation. Instead, they viewed it as an opportunity to improve performance through more efficient work streams, enabling their people to increase the value provided to customers.

These organizations engaged the time and expertise required to properly define their current and ideal business flows prior to selecting the software that best supports those workstreams. By shifting the focus from technology to the workstreams that deliver the most value for customers, these companies established a foundation for continually improving business performance.

About Merit Solutions

Merit Solutions is a global business process consultant and systems integrator with offices in North America and Europe. We are a focused-strategy company with the goal of being the very best at helping clients automate, grow, and transform their business through process mapping and optimization, change management, and innovative IT consulting and development services.

Merit Solutions works with clients to understand and triangulate their exact business needs in terms of people, workstreams, and enabling systems. From future state business process mapping to systems analysis, fit-gap process definition and scoping, sourcing, design and deployment, integration with other systems, and on-going support - we provide end-to-end global services that help clients successfully transform their business and build a foundation that continuously flows value to their customers.

Our clients are typically medium to large, global enterprises who are challenged by inefficient workstreams that cost money, waste time, and reduce quality; information flows and systems that no longer support the goals of the company; and lack of visibility into business data which impedes effective decision making.

Additional Resources

Related resources to this white paper include:

- ERP Evaluations: How to Select The Best System to Grow Your Business
- Planning for a Successful ERP Implementation
- Reducing Risk to Enable Successful ERP Implementations

Information on Merit Solutions or other publications can be found on www.meritsolutions.com