

Agents of Change

The most valuable resources of any enterprise are the people who comprise it.

So why is scant attention paid to how business processes will change and how the individuals charged with expediting those processes will adjust to their new roles before an enterprise-resource-planning (ERP) implementation goes live?

Observers say that companies implementing ERP suites are often devoting so many man-hours to the implementation that they have little time left to make sure individual users understand how their jobs will change as a result of the implementation. Left in the dark, employees often get nervous. And proper training often takes the form of intervention after performance issues arise with the use of the new software.

ERP vendors and consulting firms charged with keeping ERP implementations on track also tend to ignore the human side of such implementations.

"All too often, consultants and vendors alike proceed with implementations without adequate regard for how this software will alter the organization of a company and change the lives of the people who work there," says Cyndy Renfrow, VP of the Retail/CPG practice of Siemens Business Services.

Renfrow says ERPs offer substantial rewards to companies that choose to deploy them. In order to reach them, however, companies must fully understand their legacy processes first. They must understand how those job functions are handled in the ERP suite they choose. And they must launch an inclusive, cross-functional effort to align the two.

Michael Connor, Managing Director of Boston-based Meridian Consulting, is among the change-management experts the SBS consulting team brings together to serve its ERP-conversion clients. The SBS team helps those clients work through process changes.

***Meridian Consulting
and Siemens
Business Services
work with companies
to ensure that their
most important
resource, people,
get the most out of an
ERP system.***

"ERPs offer a strong ROI if the implementation is successful," Connor says. "But to be successful, the adopter must change the way its organization works. It must adjust the way individual jobs are accomplished, and it must change the way those jobs are knitted together."

Pre-implementation planning, according to Connor, must begin with some very critical process evaluations.

"The first thing a company has to do is take a microscope to its own business processes and decide whether those processes should be preserved, altered or trashed completely," he says. "Since an ERP suite functions as an integrated whole, it's often better for a company to scrap questionable processes in order to reap the benefits of fluid, lateral sharing of information across departments that is the hallmark of a well-executed ERP implementation."

Such planning cannot be done without the involvement of representative users—users that, according to Connor, have an in-depth understanding of the jobs they must perform

and who understand why company executives believe an ERP suite will raise the efficiency of the organization as a whole.

As consultants on ERP implementations, facilitating such an understanding is a major part of the job SBS team members perform so well.

"We have to work with people to change the way they work," Connor says. "That sounds simple, but it's the essence of the power of the ERP itself."

A Senior Project Manager at Siemens Business Services, Debbie Moore has shepherded several ERP implementations through some tough going.

"Business processes evaluations are generally done before a company's information-technology department begins its work on the software configuration," she says. "But evaluations of how actual users are handling those jobs are often undertaken as an afterthought. Far too many companies only address them after they start seeing personnel problems."

Moore says companies are often so caught up in getting ERP suites up and running that they don't have the time or resources to devote to critical user issues.

"Everybody is just so busy early on," she says. "I'd have to say that's the primary reason companies don't walk users through how their jobs will change prior to the day when the software actually goes live."

That's a situation Moore and the rest of the SBS team are working to correct.

"We know an ERP implementation places demands on everyone's time," she explains. "But we also know that it's our duty to help our clients find the time to address important issues before problems arise."

Changing for the Better

Any company that thinks it can install a broad suite of applications without examining how the working lives of its employees will be affected had better think again.

Luckily, many recent converts to ERP are.

Purina Mills, the St. Louis-based vendor of livestock feed, and an SBS client, man-

aged both the technical and human aspects of its phased SAP rollout very well. The company went live with SAP's ERP suite in 55 manufacturing sites between January 1998 and September 1999, bringing two to four sites on line every month.

Steve Hunt, Operations Controller of Purina Mills, and SBS VP of R/3 Services Teresa Beaty worked hard to ensure that both top management and rank-and-file users understood both the importance of the project and how business processes and individual jobs would change.

"At the start of this project, we told our executives that when a company migrates to an ERP they are embedding their business practices into the software they choose," Hunt says.

In order to make sure that would be done right, Hunt needed input from key users. But first, he had to find out who those users were.

"We asked the executives for a list of people they couldn't afford to spare for the project," he says. "Then once we knew who they were, those were exactly the people we asked for."

Hunt's well-intentioned ploy was necessary.

"You have to look at this from a historical perspective," he explains. "At Purina Mills, we really felt that there had been a disconnect between business requirements and IT deliverables in the past. And we were determined that a project of this size be business-driven. We needed the input from those key individuals because we had to make sure the implementation fit our business requirements."

Hunt was not asking anyone to make more of a sacrifice than he made himself. Hunt gave up his controlling duties to manage the ERP migration full time. When the implementation wrapped up this fall, he returned to the position of operations controller.

And like countless others within the Purina Mills organization, how Hunt performed his own job changed significantly as a result of the new software.



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Siemens Business Services

SBS proved invaluable in helping Purina Mills align business processes with the capabilities of the R/3 suite.

"Siemens methodology forced us to deal with critical issues," Hunt says. "When the big five consulting companies come in on ERP projects, they bring in people who may know how to do a configuration but who don't make it their business to understand your business processes. That's why we used SBS as the key consulting partner on our SAP implementation. It was clear to us that the SBS consultants were superior because they had the business knowledge. Teresa Beaty was a terrific project manager. She really held our feet to the fire."

And when it was politically difficult for Hunt, as an insider, to air issues that needed to be addressed, Beaty didn't hesitate to do so.

"When things had to be said that were awkward for me to bring up, Beaty jumped

right in and said them," Hunt continues. "We could not have managed either the software implementation or the changes to business processes without SBS. I'll tell you that up front."

But the question remains: How can companies ensure that their ERP implementations are tailored to an organizational structure that doesn't even exist yet?

The Best-Laid Plans

"Once the ERP suite is in place, it will definitely realign the way things are done in a company," says Bob Daniell, Director, Management Consulting for SBS.

Daniell, who brings a deep understanding of supply-chain management to ERP implementations, believes that it is far better for a company to reconcile its business processes with such a suite before it begins the work of putting that suite in place.

"Companies that have not gone through an ERP implementation are functionally oriented," he explains. "Their businesses are divided into departmental silos where people tend to focus on the performance of their department. ERPs, in contrast, are process-oriented. The benefits of installing an ERP derive from the ability of individuals across an enterprise to share information horizontally. So, migrating to an ERP is often a significant cultural change. Individuals are asked to work cross-functionally toward common enterprisewide goals."

SBS believes that companies must make sure those in charge of disparate departments see the value of an ERP migration early. Those individuals understand their respective departments, and, if the implementation is to succeed, they must make sure those who report to them see the value of working toward cross-functional goals as well.

"An ERP is a set of integrated systems that allows a company to integrate processes," Meridian's Connor says. "That can be at cross purposes with an organization that is siloed. Departmental silos typically operate in their own inter-

ests with their own budgets. So, when a company installs an ERP, it has to step back and re-evaluate how the performance of departments and individuals in those departments is measured. And executives have to rethink how employees are compensated. The companies that have failed to pay attention to these things are the companies who've witnessed their ERP implementations fail. This is not only about the software you put in, it's about what you get out of it."

Connor says that, in a siloed organization, individuals in one department often

are unaware that the way they execute certain functions can drag down the efficiency of other departments.

"An individual may be concerned about his own output and be doing a very good job in the eyes of his department head, but since the enterprise is not integrated he will not know how his output is affecting people outside his department," he explains.

That's exactly what Jo-Ann Stores is trying to get away from.

SBS partnered with Jo-Ann on that retailer's SAP implementation. Jo-Ann went live

with SAP financials in 1998, and plans to launch SAP Retail in early 2000. Jo-Ann Senior VP of Human Resources Rosalind Thompson says multiple representatives from each disparate department at Jo-Ann's took part in the pre-implementation planning process.

"Our team was made up of merchants, IT people, inventory managers, people responsible for logistics, HR people," she says. "It was truly cross-functional. There were about 50 individuals on the team—by far more than one person per department."

Risk Assessment Proved Key to Purina Mills SAP Rollout

Purina Mills went live with the SAP R/3 enterprise resource planning suite at its first plant in January of 1998. By the time the rollout wrapped up in September 1999, it had gone through the process 55 times.

"It seems like we're old hands when it comes to putting in SAP, but in reality, we've only been live companywide for a few months," comments Steve Hunt, Operations Controller at the St. Louis-based livestock feed company.

Purina Mills implemented five core SAP modules at each site: materials management, FICO (financials/controllers), production planning, sales and distribution. And while the company considered the project a phased implementation, employees and management at each site considered the process a "big bang."

"Throughout 1999, we were rolling out four plants a month like clockwork," Hunt says. "We learned a lot the year before. Looking back, those last few sites were a heck of a lot easier to bring up than the first few."

Hunt says plant-specific risk-assessment analyses begun four months before each plant went live were key to the success of the rollout.

"Risk assessment was certainly the secret to our success," he says. "One hundred and twenty days before each site was to go live, we'd bring the future users up to corporate for three to five days of evaluation and training, depending on the modules they would be using. After training, we evaluated each end user based on his ability to complete tests within the training modules."

Hunt says Purina Mills designed those training materials and tests in-house. As the company progressed through 55 site-specific implementations, the training process and the materials

that supported it improved greatly.

"The phased implementation allowed us to tweak the training materials as we ourselves learned," he explains. "That's one of the primary reasons the latter 'go lives' went more smoothly than the earlier ones."

The evaluations gave Hunt and his team a good handle on how well each site would perform once users had access to the R/3 software. The evaluations were the risk-management tools Hunt believes were so crucial to Purina Mills successful SAP implementation.

"Six weeks before each site went live, I would go out and talk to the business leaders at each site," Hunt explains. "Together, we'd go over the scores of each future user. We'd develop a pretty accurate snapshot of how the site would perform collectively once it was given the software, and we'd focus in on the low scores and tweak the processes to minimize the risk of that particular go live. We were not adverse to altering processes if we felt users at a specific site were not going to be able to use the software well. This may have been a phased rollout in the eyes of Purina Mills corporate, but for each site it was a big-bang implementation. Jobs and processes changed significantly at each site."

Purina Mills' well-honed training, evaluation and risk-management procedures ensured that each of its 55 implementations was addressed on its own merits. The abilities of individual users and the business needs of each individual site were never taken for granted.

"My staff and I were gone two weeks out of every month supporting go lives," Hunt says. "We all hated to see the project end. We really enjoyed it, and we were good at it."

That team was not only responsible for representing the interests of their department during the planning process, team members were also responsible for making sure that everyone who would eventually be affected by the software was kept abreast of progress made in the planning meetings.

Jo-Ann's business-process planning team completed its work successfully, but even the best-laid plans are only a blueprint for the changes that will occur when an ERP suite actually goes live. As Jo-Ann's inches toward its launch of SAP Retail, the company is considering how best to ease individuals into their re-defined roles.

"We still have a lot of work to do on the personnel side of the equation," Thompson says. "What will the division of work be like post-SAP? I think we are going to have to live with the software for a while before we really know how peoples' jobs will change. As a company, we are welcoming the change SAP will bring, but you never quite know how that change will manifest itself until it's upon you."

Connor says Meridian is working out such issues with other companies who are implementing ERP suites. Meridian worked on that aspect of farm-equipment manufacturer John Deere's SAP rollout, a project on which SBS acted as the lead consultant. Connor is also working to make the migration to the Retek suite



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easier for users at CVS Corp. and to help OfficeMax employees adjust to that retailer's SAP implementation.

He says forward-looking employees realize that an ERP implementation can help them as well as the company.

"Some people will see an ERP implementation as an opportunity to pick up skills in another area," he says, "while others will see it as a threat to their job security."

Connor says the latter personality can sabotage an ERP migration even if they don't mean to do so.

"Someone who feels threatened may start coming in late and begin to lose interest in his job," he says. "This can happen with the best, most productive employees. Human-resource managers have to be very conscious of that."

Connor says a top inventory manager fell victim to such a pre-ERP malaise at a retail company he worked with. He says that individual knew that the software, once installed, would bring the performance of many of her co-workers up to her high level. She felt threatened.

"That woman was pretty disillusioned until someone got to her and told her that she would be a very valuable mentor for others in the organization," he says. "She proved invaluable. Companies who set out on an ERP migration should seek out these kinds of individuals early and involve them in the core ERP-implementation team."

"A company that embarks on an enterprise-resource-planning implementation without involving users up front is not using its most valuable resources wisely," SBS' Renfrow adds.

Siemens-Nixdorf is the world's largest user of SAP software. Consequently, it's no wonder Siemens Business Services understands so well how ERP suites affect the people and processes that make enterprises productive.

A Day in the Life

What does a buyer at Jo-Ann Stores do on a typical day? A merchandise manager? An inventory controller?

Siemens Business Services consultants made sure they found out. Those consultants defined 20 processes typical users at the fabric-and-craft chain rely on to do their jobs—processes ranging from how to run a promotion to how to formulate the appropriate SKU mix for a new store, to how to process returns to manufacturers.

SBS consultants worked with representative users to figure out how best to execute those processes in SAP Retail and they set up a training schedule where other users can gain the confidence they'll need once the retail applications go live at Jo-Ann's in early 2000.

"Now, Jo-Ann's future users can come to one-day classes on each of the 20 processes and train using actual data from the business," comments Keith van Tonder, SBS Project Manager at Jo-Ann Stores.

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