Change Management for ERP

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What is Change Management?
Scope of Change Management

Change Management deals with “people issues” of an ERP project:

- People issues affect technology issues
- People issues affect business process issues
- People issues affect strategic objectives
Our Understanding of Change Management

A standard definition:
“Engaging and enabling individuals and groups to take responsibility for realizing the new vision of their organization and the development of their own potential”

Our practical definition:
“Systematically, pro-actively addressing the human & organizational issues affecting the success of an ERP project”
The Importance of Change Management

Top 10 Barriers to Success for Large Package Implementations according to Chief Information Officers of large corporations

- Resistance to Change: 82%
- Inadequate Sponsorship: 72%
- Unrealistic Expectations: 65%
- Poor Project Management: 54%
- Case for Change not Compelling: 46%
- Project Team Lacked Skills: 44%
- Scope Expansion / Uncertainty: 44%
- No Change Management Program: 43%
- Not Horizontal Process View: 41%
- IT Perspective not Integrated: 36%

% of Firms

= Directly Related to Change Management

= Not directly Related to Change Management
Why manage change?

“...I used to believe that human resource issues were fluffy and insubstantial, an afterthought. The only things that I believed mattered were technology and hard design. I’ve learned that what I considered hard or difficult is, in fact, the ‘easy stuff’. The technology issues are the easiest to deal with and don’t usually make the most difference.”

*Dr. Michael Hammer, M.I.T. Professor of Computer Science, IS People, 1993.*
**The Impact on Success within an ERP Project**

<table>
<thead>
<tr>
<th><strong>Change Management</strong></th>
<th><strong>People Level</strong></th>
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<td><strong>Training</strong></td>
<td><strong>Business Process Level</strong></td>
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<tr>
<td><strong>Customizing, Programming</strong></td>
<td><strong>Technology Level</strong></td>
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**Success**
Costs and Benefits – General Portion

People Level / Change Management

Business Process Level

Technology Level

Success
Costs and Benefits – Improved Portion

People Level / Change Management

Business Process Level

Technology Level

Success
Is Over-Investment in Change Management Possible?
Real World Project Quotes

- “We were always putting out fires (Change Management issues) instead of being proactive.”
- “If this project fails, it will be due to cultural, not technical problems.”
- “Politics caused big problems: important client leadership wasn’t really behind the project.”
- “No one asked us. We would have stopped the project.”
What are some typical Change Management issues?
Change Management Issues

Leading the Project
- Business leadership
- Communication
- Business participation

Organizational Dynamics & Structures
- Corporate culture
- Organizational structures & tools

Attitudes & Behaviors of Individuals & Groups
- Expectations
- Experiences
- Motivations
The Change Management Process

People Fears

- Knowledge
- Acceptance
- Commitment

People Benefits

- Intelligence
- People Benefits
### Objectives of Change Management

You reach
⇒ Acceptance
⇒ Commitment

With
- Communication
- Integration
- Participation
- Incentives
- Personnel Development

<table>
<thead>
<tr>
<th>Key personnel</th>
<th>User</th>
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<tr>
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<td>X</td>
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<td>(salary), perspective</td>
<td>improvements, ease</td>
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<tr>
<td>coaching</td>
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Change Management Thread within ERP Projects

Address the people and organizational issues associated with implementing an ERP system, including the implementation of new organizational structures, job descriptions, and incentive frameworks. Also addresses the development of means to transitioning the enterprise from its current state and transfer knowledge to the organization.
Change Management Phases

Phase I: Analysis

Phase II
a) Communication
b) Team Development

Phase III
a) Training
b) Change Agent Work
c) Continues Communication

Phase IV: Wrap-up
The Change Management Phase I

Analysis Phase
- Expectations
- Culture
  - Enterprise, Regional
- Incentives
- Problems / Reasons

Essential Results
- Communication Concept
- Team Development Concept
e.g.
- Project Organization
- Defined Roles
The Change Management Phase II

a) Communication
- Regular information newsletter, newspaper, mailing, ...
- Individual information request discussions, interviews
- Forum for ideas
- Feedback

b) Team Development
- Kick-off meeting
- Know-how transfer train-the-trainer
- Coaching

Essential Results
- Informed & integrated people
- Prepared project team members as change agents

September 19th, 2000
The Change Management Phase III

a) Training
   - Know-how transfer
   - End-user training

b) Change Agent Work
   - Working on the project
   - Commit other people

c) Continues communication
   - Project news
   - Results

Essential Results
   - Trained & informed people
   - Enlarged knowledge
   - Project progress
   - People with reduced fears
   - Seriously informed people
The Change Management Phase IV

Wrap-up
- Discharge promises
- Incentives
- Salary
- Next step in career path
- Support productiv system

Essential Results
- Highly motivated change agents
- Prepared for others tasks / projects
Change Management Issues

Backup

Organizational Dynamics & Structures
- Corporate culture
- Organizational structures & tools

Attitudes & Behaviors of Individuals & Groups
- Expectations
- Experiences
- Motivations

Leading the Project
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- Business participation
Change Management Issues

Attitudes & Behaviors

- Corporate culture
- Organizational structures & tools

Organizational Dynamics & Structures

Attitudes & Behaviors of Individuals & Groups
- Expectations
- Experiences
- Motivations

Leading the Project
- Business leadership
- Communication
- Business participation
Project success requires identifying & matching the different expectations of individuals and groups (stakeholders) affected by and affecting the project.

- Client leadership must have a clear and consistent project vision & expectations
- We should understand and take seriously the expectations of the various user groups
- Client must think about perspectives of project members after the realisation of an ERP project
Experiences with change projects & system implementations strongly influence expectations and behaviors.

- People tend to do things the way they have been done before ("We have never done it like that")
- Project positioning (project name, marketing, selling the project)
- Past problems indicate areas which must be specially handled by the current project
- ...

Change Management Issues - Experiences
**Change Management Issues - Positive Motivations**

Recognition, personal benefits & “team spirit” are important leverages for change and for the project.

- Rewarding individual performance for project participation is a powerful motivator (salary, bonus, career perspective, etc.)

- Conditions for success are best if the project team, including client members, develops “team spirit” and enthusiasm aimed at accomplishing project goals

- ...
Change Management Issues - Negative Motivations

Fears, resignation, frustration & uncertainty are the main barriers to success and change.

- Fear of the unknown (“What will happen to me?”)
- Fear of losing authority, influence
- Fear of losing his/her job
- Too much work (frustration)
- “I have no input anyway” (resignation)
- ...

Backup
Change Management Issues
Organizational Dynamics & Structures

Organizational Dynamics & Structures

- Corporate culture
- Organizational structures & tools

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Leading the Project
- Business leadership
- Communication
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Corporate culture has a major influence on change behavior, achievable change. Realistic project planning and execution requires understanding corporate culture and taking it into account.

- Formal & informal decision-making
- Leadership style
- Differences between departments, offices, countries
- Attitudes, values, symbols...
- ...

Change Management Issues - Corporate Culture
Changes to business processes often require corresponding changes to organizational structures, tools.

- Job descriptions
- Company organization (hierarchical, matrix, functional, process, etc.)
- Compensation & incentives systems
- ...
Change Management Issues

Leading the Project

- Corporate culture
- Organizational structures & tools

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Organizational Dynamics & Structures

Leading the Project
- Business leadership
- Communication
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Change Management Issues – Client Leadership

Client leadership has a major influence on the success of every project.

- What is the position, acceptance and influence of the project leader within the company?
- Is there a real leadership?
- How do you communicate and delegate?
- ...

Backup
Communication within the project team is important for a clear understanding of the project vision and its targets. Information from the project team to the employees not directly involved in the project generates trust.

- Communication structure is defined properly
- Set up communication programs like project newsletter, newspaper, etc.
The average client participation is about three times of the consultants participation. It is an important step to take over responsibility and is a presumption for knowledge transfer from the expert to the future expert in your enterprise.

- Is there enough capacity?
- Do they have enough capability?
- Who is managing the daily business?
- How do you deal with overtime?
- ...

Change Management Issues – Client participation