

The Transition Model for Change Management on an ERP Implementation

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1. The problem

When an organization implements an ERP system, the scope of activities include:

- Designing new business processes to determine how the organization will use the new ERP system to do its work;
- Mobilizing people within their organizational functions to enable them to use the new ERP system as intended; and
- Setting up the ERP system according to the business process designs.

A literature review shows a common conclusion by companies *after* completion of an ERP implementation is that they did not do enough on the people side; that they did not take it seriously enough; and/or that they did not act timeously enough.

Eric Kimberling, a respected ERP implementer who sometimes serves as an expert witness in high profile court cases to apportion blame for failed ERP projects, had this to say in April 2016 (1):

“The “people” side of the project will make or break your project. If I had to pick one thing most likely to determine ERP success or failure, my hands-down choice would be change management. It’s the most important aspect of an implementation, yet too many organizations fail miserably in this area. In fact, of the 30+ lawsuits that I have either testified and/or written expert reports for, organizational change management and ERP training was a key failure point in each and every one. Investments in training, employee communications and other organizational change activities will yield exponential returns relative to the investment.”

The interesting thing is that this is not new. Software suppliers, implementation consultants, client companies, academic researchers – everybody – have agreed on the critical importance of change management for more than 40 years of ERP – and still it is the most frequently cited reason for failure of ERP implementations.

Why does everybody keep getting it wrong?

We propose in this white paper that change management efforts during an ERP implementation fail in an alarmingly high number of cases not because organizations don’t consider it important – they do – but because they go about it in the wrong way. It can be done right, but that requires a different way. We propose our Transition model later in this white paper as a better approach.

2. The wrong way

2.1. Focussing on individuals is the wrong objective

The literature abounds with change management programs that apply psychological skills and tools gently and with empathy. Programs are customized for individuals. They seek to produce people who will be valuable to the organization for the long run. In our 30 years' experience implementing ERP, we saw much of this thinking spilling over into how the ERP implementation addresses people issues.

In this white paper we propose that this focus on individuals is wrong; instead the focus should be on the organization; and that organizational change is something completely different.

Success in an ERP implementation is achieved if the organization as a whole becomes capable to operate the new ERP system in an improved way. This does not require 100% of the people; only a sufficient number in the right places. Furthermore, if the focus is on the organization and not on the individuals; casualties – individuals who do not adapt timeously to the new ERP system – can be accepted and even expected and planned for without significantly affecting the success of the organization.

This somewhat callous acceptance of and planning for casualties is anathema to the traditional social sciences professionals who consider every individual an opportunity. Their individualistic approach to change management in ERP implementations misses the point.

2.2. The time required for people to change is irrelevant

How long does it take to change? If you're thinking about people individually; it depends on the person. Trying to accommodate everyone to find their own way in their own time on an ERP project is impossible.

In this white paper we propose that the time people require to change is irrelevant; the schedule that must be adhered to is dictated by the ERP implementation.

The Change required on Go-live day of an ERP implementation is sudden, brutal and without choice:

Firstly, Go-live is a *discontinuous change event* – it happens abruptly. An ERP implementation nowadays switches off the old system and with it the old ways of working at the end of one working day; and then immediately switches on the new system with the new ways of working the next working day. There is no opportunity for “baby-steps first”.

Secondly, the Go-live *date is inflexible*. It is usually dictated by business considerations such as a financial year-end or a low point in the seasonality of the business cycle; by budget constraints such as the contractual departure date of the consulting team; and by the date at which the system is ready to go. If the people aren't ready on that date, it is a courageous call – and one seldom made – to delay the Go-live.

On Go-live day the people in the organization are going to be working on a new system regardless of whether they are ready or not. But if you Go-live and your people are not ready, there is a huge risk that the ERP implementation will fail, and fail with dire consequences. The better strategy is to do whatever is necessary to ensure that when the planned Go-live date rolls by, people are ready.

Too often setting up change management for an ERP implementation is flavoured like an HR effort to “look after the people side” and have lengthy time lines determined by the time people need to accept change at their own pace. It does not work. Even excellent people-results that are achieved *after* the ERP due dates are *irrelevant* as far as the ERP implementation is concerned.

2.3. Transactional users do not determine ERP success

“Transactional users” will process transactions on the new ERP system from Go-live day onwards so they obviously have to be trained. Superficially, one should then not be surprised that ERP implementations allocate most of their change management time, effort and budget on training Transactional users shortly before Go-live. This is *not* the route to ERP success.

In this white paper we propose that it is not the Transactional users but rather the Management users, Superusers and Process Owners who determine ERP success or failure.

Transactional users:

This does not mean that transactional users should not be trained or that it does not require lot of work. To the contrary: the most advanced ERP system will fail if the Transactional users are unable to process transactions correctly and timeously to ensure that the data in the system is accurate and up to date. But at best, Transactional users prevent things from going wrong; and at worst, they are expendable: if a particular person is unable to transact adequately on the new ERP system, they can and should be replaced by someone else who can.

Management users:

However, the reason the organization is implementing a new ERP system in the first place, is because there are business benefits to be had. The objectives may be better or cheaper ways to run the organization using the new ERP system, and often to do new things not possible with the previous system. Modern ERP systems also empower managers to work collaboratively to unlock the really big wins which usually lie in cross-functional integration and alignment.

But of all the role players – the project sponsor, the software vendor, the implementation consultants, even the Transactional users – the Management users is the one group that is going to *lose* something very significant with the ERP

implementation: the old system which they know intimately. Management users as individuals often owe much of their current positions and their power in the organization to their knowledge of how to run the business using the old system’s tried and tested mechanisms, procedures, reports and screens. If you expect them to abandon all of that to enthusiastically take up the new ERP system you had better make a good case.

“Make a good case” requires much more than a speech and then assuming all of the managers – all of them – will “get with the program” on their own initiative. Management users who keep harking back to the old system instead of motivating and leading their people into the new, lead directly to ERP failure. One single individual – say the Operations Manager – with a sullen and resentful attitude towards the new system can sink everything. You *have* to make this group part of the change management program; and focus a very important part of the program on them specifically.

Superusers and Process Owners:

Superusers are actually a subset of the Transactional users; and the Process Owners are a subset of the Management users. But together, they shoulder a tremendous responsibility: they work with the consulting team of system experts to design the new to-be business process. After Blueprint sign-off, they serve as change agents and when the consulting team departs at the end of the project they serve as the custodians of the new way of working.

This target group should be the very best in the organization; and their selection and the subsequent investment in equipping them with skills and expertise should be very high on the change management agenda.

An ERP change management initiative that targets the Transactional users and considers training its main activity, is *oblivious* of the real risks and rewards of an ERP system.

3. A different model

We propose the following as reasons why change management often go wrong on ERP implementations:

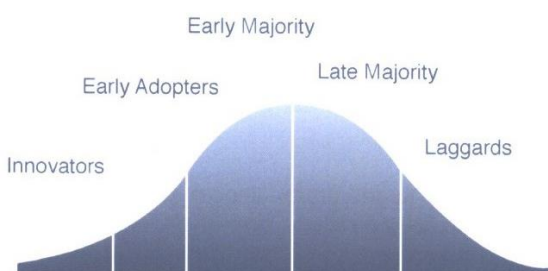
- Confusing organizational change with changing individuals;
- Failure to meet target dates required by the ERP implementation; and
- Neglecting Management users, Superusers and Process Owners to train Transactional users.

In this white paper we propose a different model, which we call the “Transition” model because the objective is to transition the organization as an entity through the Go-live event onto the new ERP system:

3.1. Different adoption rates

The objective is to transition the organization from the old to the new; but you still work with people...

Our Transition model recognizes that different groups of people adopt new technology earlier or later than others depending on internal aptitude and external motivation. This concept was originally published by Everett Rogers in 1962 (2). The (much embellished) concept classifies target populations into five groups: “innovators”, “early adaptors”, “early majority”, “late majority” and “laggards” according to their timing and motivation for adopting new products or technology.



Our Transition model adapt this as follows:

Innovators

We recognize the innovators as the individuals responsible for the decision to implement a new ERP system. The group includes the *Project Sponsor* and *Internal Project Manager*.

Early Adaptors

The *Superusers and Process Owners* represent all the different functions of the organization. Their work to design and approve the new business processes is usually the first major deliverable of the ERP implementation. The people assigned to be Superusers and Process Owners should be individuals naturally inclined to be early adaptors; or at least motivated for this ERP implementation to accept that role.

Early Majority

As far as the ERP implementation is concerned, the *Management users* of the organization are expected to prepare their subordinates and lead them through the transition; which requires an early majority (or early adopter or innovator) inclination. This is a problem; because the natural inclination of at least some of these managers will be to hang back and “see how it goes” before committing – a “late majority” characteristic. Our Transition model emphasizes the work to be done to mobilize *all* of the managers – regardless of their natural inclination – in time to lead their people through the change.

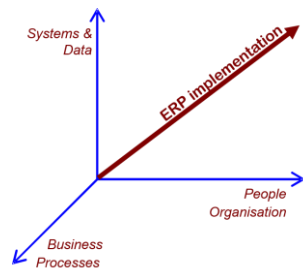
Late Majority

The late majority are the *Transactional users* who will actually work on the new ERP system once you Go-live – and you only need them on-board just in time for Go-live. Some people who are intended to transact on the system will be Superusers already included earlier. Some people may be deliberately intended to only transact on the system sometime *after* Go-live – and in terms of the Transition model we would then group them under the “laggards”.

3.2. Different due dates

The adoption curve is usually applied to categorize people's natural inclination to adopt new technology earlier or later than their peers; but our Transition model is firmly focussed on the transition of the organization; and thus subordinates all other schedules to *this* time line.

We refer to our own Dimensions of Freedom model, published in 2008 in our book "*Thinking about ERP*" (3) for a framework to think about the ERP implementation as activities planned and scheduled in three "dimensions": "*business processes*" activities such as design workshops and process approval sign-offs; "*systems and data*" activities such as configuration of the new ERP system and preparation of master data; and "*people organization*" activities such as designating people for specific roles and training courses to enable them to fulfil those roles.



These are not sequential activities. Our Transition model confirms the ERP implementation time line as the point of convergence of all the activities in *all* three dimensions. The key due dates of an ERP implementation are, in sequence:

1. The Blueprint sign-off of the to-be business process designs;
2. User Acceptance of the way the new ERP system had been set up; and
3. Go-live.

Blueprint sign-off

The Blueprint sign-off completes the work on the To-Be Business Process Blueprint; after this it is too late to significantly influence the business processes dimension. Thus identification and assignment of **Superusers and Process Owners**, their education and training, assessment of their ERP capabilities; and corrective action must all be completed before Blueprint sign-off.

Casualties cannot be allowed to stay in the group because the Superusers and Process Owners make decisions on behalf of their organizational functions that will determine how the organization will work for years to come. Anyone not making the grade must be switched out for a different assignee *before* the Blueprint sign-off due date.

User Acceptance

At User Acceptance the configuration work on the new ERP system is complete. Any **Management users** who at this point do not yet understand what the switch to the new ERP system entails, cannot do their job preparing their specific organizational functions for the coming Go-live.

Such casualties among the Management users are to be expected and planned for; but not accepted. As a group of people, they will include individuals whose natural inclination fall into all five of Everett Ross' adoption curve categories. A natural inclination towards being an innovator or early adopter is an opportunity; early majority with a due date of User Acceptance is where one wants them to be; but some of them will by nature be late majority and laggards. The Transition model argues that the ERP implementation cannot afford the luxury of allowing these Management users to adapt at their own pace according to their own inclination to the new system. Therefore proactive plans for intervention must be put in place for them to meet the User Acceptance due date.

Go-live

At Go-live all the **Transactional users** designated to start transacting on the new system must have been trained on all the transactions they are allocated to process; must have been assessed to be capable of doing so effectively and efficiently; and must have been assigned system privileges to allow them to do such processing on the new ERP system.

Organizations may decide to deliberately exclude some eventual Transactional users from Go-live. This strategy shortens the implementation time for the ERP system, which usually reduces costs, but going live without the full complement of Transactional users carry significant business risk (such as inability to trade or inability to invoice immediately after Go-live).

For the Transactional users intended to process transaction at Go-live, experience also shows it is unrealistic to expect a 100% success rate. There *will* be casualties: people whose system privileges must be suspended for Go-live because assessment shows them not yet capable to fulfil their role as Transactional users to the required standard.

As with people deliberately excluded from Go-live, these casualties are *not* a problem for the Transition model *provided* the qualified Transactional users in each and every specific organizational function are sufficient for the organization to successfully transition on Go-live day.

3.3. Different requirements

For the organization to successfully transition from the old to the new; as an entity it needs to be motivated to make the transition, understand the change required, and have the ability to make it happen.

Modern best practices address these requirements through education courses teaching the principles and practices of ERP; software vendors showcasing their system capabilities with system navigation and training courses; to-be business process diagrams and narratives that detail the sequence of events that must be followed to achieve the desired business outcomes; transaction training that teaches the user interface to the system; and a wide range of communication mechanisms.

Not everybody needs everything. Our Transition model differentiates the key requirements as follows:

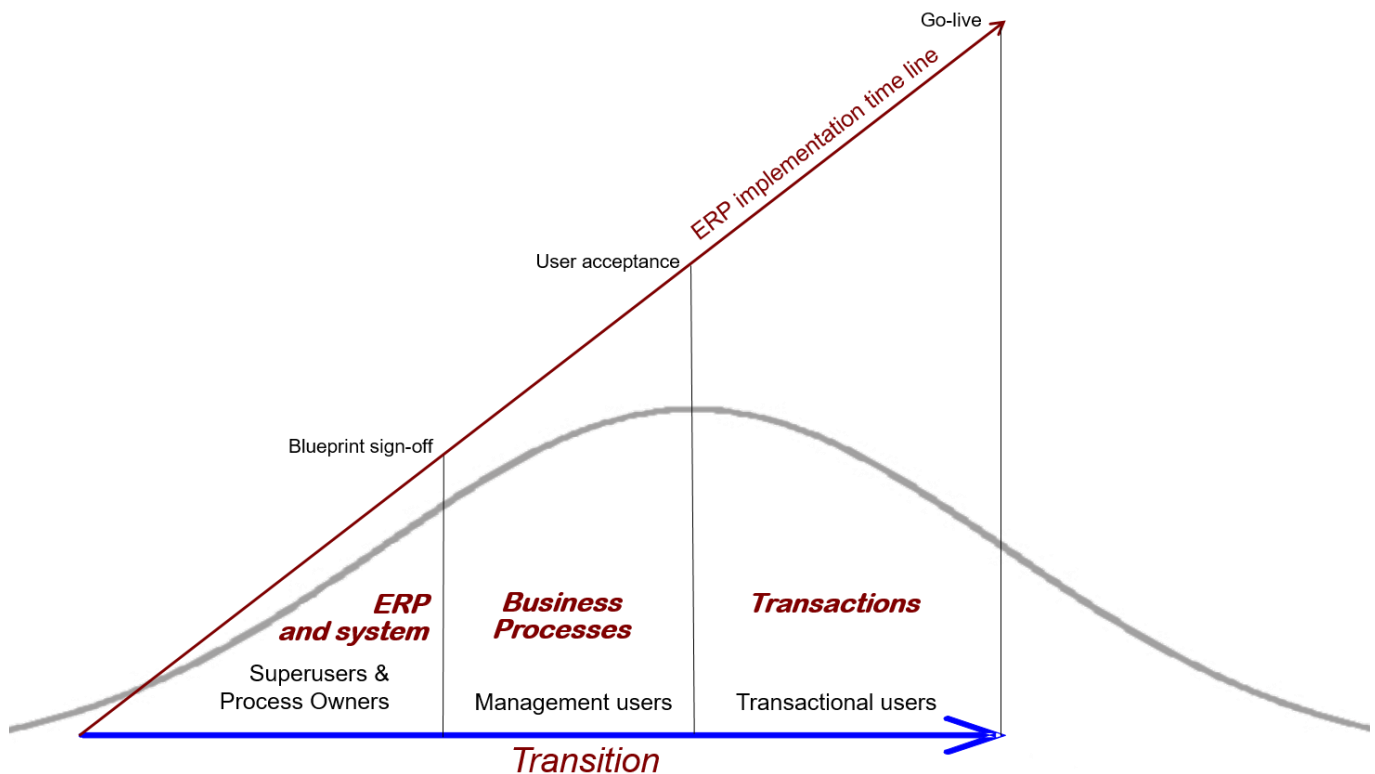
The skill and ingenuity applied by the *Superusers and Process Owners* directly correlate with the business benefits the organization can expect from the ERP implementation. They require understanding of *ERP* principles and best practices as well as understanding the transaction capability of the specific ERP *system* in order to do their work of designing the To-Be Business Blueprint, to serve as change agents for the Management users and Transactional users, and to be the future custodians of the ERP system.

For the *Management users* the key requirement is to understand the *Business Processes* applicable to their organizational function. This understanding must also encompass how and why the new differs from the old and an appreciation of the magnitude of the change that will happen in their area on Go-live day. Teaching them how to process transactions in their function is useful because they are expected to be able to determine if these transactions were processed accurately and timeously; but this is a means to a different end. They do need to be able to view results on screens and be able to select and print reports; so at least some user interface skills are required.

For the *Transactional users* the key requirement is the capability to process *Transactions* – they must know *which* transactions they have to process, *when* they have to do it, and *how* they have to do it. Teaching them to-be business processes – *why* they have to do these transactions in this way – is useful, but primarily as a teaching technique because it facilitates learning of the “which, when and how”: again it is a means to a different end.

3.4. The Transition model

We graphically summarize the essential elements of the Transition model as follows:



In keeping with our position that the ERP implementation time line dictates the schedule for work on the People Organization dimension, we omit from the above graphic the “laggards” and the work needed to train them up *after* Go-live to be Transactional users, including re-training of dropouts. In practice, at least the short term work in the immediate aftermath of Go-live is usually included in the change management program. This does not change the fundamental principle of the Transition model, though: The people organization dimension of the ERP implementation will stand or fall by what happens on Go-live day.

We also omit the “innovators”, typically the Project Sponsor and the Internal Project Manager because they come on board before the start of the ERP implementation. If, however, any deliberate intervention is required for them during the ERP project, it is usually similar to and easily included with the program activities for Superusers and Process Owners.

4. Applicability

We emphasize that our Transition model is intended to be applicable to only a sub-set of all situations requiring change management; specifically:

- The organization is required to transition through a change in business system;
- There are changes in the business processes; by design or as a result of the system change; and
- The change in system and business processes is scheduled as a single discontinuous event.

On the other hand, these descriptors apply to a wide variety of applications beside ERP.

For example, the Transition model is also applicable in the implementation of a new Warehouse Management System (WMS) and warehouse transitions where new owners take over existing staff and move them onto their own WMS on a Go-live day.

There are others.

5. References

1. **Kimberling, Eric.** *Panorama Consulting.com*. [Online] 6 April 2016. <http://panorama-consulting.com/whos-to-blame-investigating-an-erp-failure>.
2. **Rogers, Everett.** *Diffusion of Innovations*. New York : The Free Press, 1962.
3. **Pienaar, A;** et al. *Thinking about ERP*. Pretoria : iPlan Industrial Engineers, 2008.