ORGANIZATIONAL CHANGE MANAGEMENT: A PROCESS-DRIVEN APPROACH

INTRODUCTION

Organizational Change Management is one of the critical success factors of ERP implementations. It helps organizations learn and sustain new ways of doing business while adopting the new system. In spite of its importance, Change Management is often the first area to be overlooked by those less experienced with system implementations or the first cut when schedules or budgets start to waiver.

A common approach with Change Management programs is to run them as a separate project with more of an HR angle - focused on the soft skills associated with communication and training. This isolated approach seldom delivers results and can be a costly proposition.

For a Change Management program to be successful it needs to be incorporated within the ERP Implementation and allow for the end-to-end business and system design to be the driving force for change. Taking a people, process and systems approach keeps the conversation focused on how the new system will impact the organization and provides a methodical way to make change stick.

> "No major software implementation is really about the software. Its about Change Management...
>
> ...you are changing the way people work, you are challenging their principles, their beliefs, and the way they have done things for many, many years"
>
> Jeri Dunn, CIO Nestle USA

KEY COMPONENTS OF CHANGE IN AN ERP IMPLEMENTATION

There are various aspects of an ERP implementation that drive change within an organization, each associated to either People and how they do their jobs, the Processes needed to run the business, and the Technology that supports these processes. Change components are inter-related to these streams within the implementation that are built upon each other like a pyramid, as depicted in the figure below.
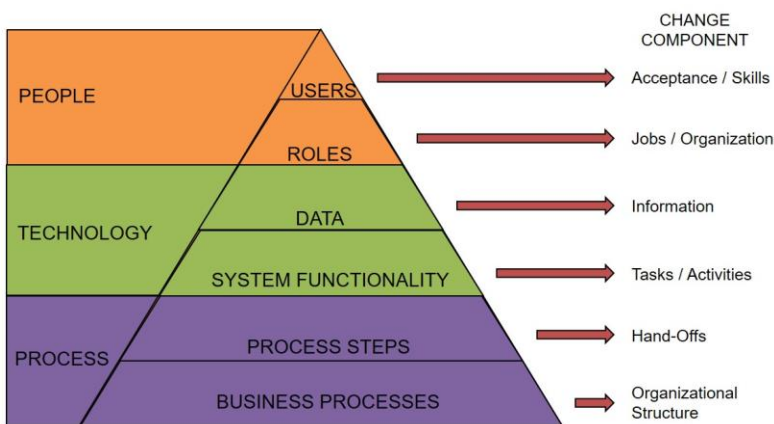

Figure 1: Change Triangle

In order to consider all change components, the ERP project needs to look at change impacts from each of these streams as they all can have significant impacts of how new system is leveraged and adopted. This is most critical in projects where the corporate culture is naturally resistant to change or distracted with multiple initiatives.   By focusing on the tactical aspects of the implementation, change can be broken down into smaller pieces that are easier to absorb.

THE TRADITIONAL APPROACH TO CHANGE MANAGEMENT

A good analogy to the traditional approach to Change Management is to think of the change triangle in Figure 1 as an iceberg. It is common for a Change Management program to solely focus on the People work stream of an ERP implementation

When the focus is centered around the users and the changes to roles or job descriptions, the Change Management program looks more at behavioral change, and how to "sell" the new system to those impacted to make the transition more palatable. These programs drive numerous communications at various levels throughout the organization, host lunch and learn sessions, provide

Figure2: Change Iceberg

multiple channels to provide feedback and have their opinion heard, and launch motivational campaigns to keep the project team and the user base engaged.
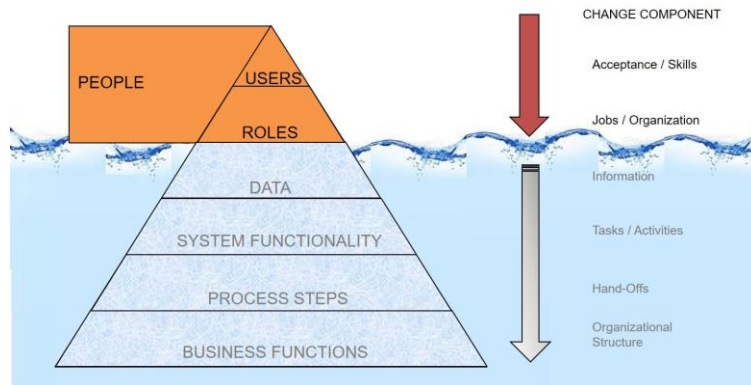
Deliverables from this traditional approach are focused around the stakeholder analysis, communications plan, surveys, and training.

CHALLENGES WITH THE TRADITIONAL APPROACH

There is no question that the people components of a change program play a critical role in the acceptance of change.   However, when the technology and process components are not equally incorporated there will be gaps that can render the overall program ineffective and hinder the organization's ability to achieve benefits in the long term.   Some of the challenges include:

 ➢ Emphasis on qualitative metrics of people's feelings about change.
 ➢ Change acceptance is mostly managed through communication and training
 ➢ As-Is vs. To-Be analysis viewed as support activity to communication and training and is therefore often skipped or performed too high-level
 ➢ Analysis is often "subjective" and open to interpretation.
 ➢ Lack of details surrounding what is changing and why, and who is impacted.

The biggest challenge working against the traditional approach stems from the missing information that would be provided by the comparison of the As-Is vs. To-Be business processes. While this can be a tedious exercise it provides a wealth of information and insight into change impacts. By-passing the process gap analysis has become more common as consulting companies have introduced "accelerators" to fast track ERP implementations and it's even more prominent in SaaS or "cloud" offerings. The impacts of omitting the gap analysis is difficult to measure post-implementation as resistance to change if often associated with the corporate culture or other leadership factors as opposed to the Change Management Program.

TYPICAL OUTCOMES WITH TRADITIONAL APPROACH

Getting the employees of an organization to adopt a new system is often challenging enough. People generally do not like change and unless there is a compelling reason to change, most of us like to fall back on the familiar and comfortable. But considering the often large investment in an ERP system - in time, resources, and licenses or subscriptions – and the expected pay offs in process improvements, business efficiencies and growth, the last thing organizations need is for their employees to fall back to the old familiar and comfortable ways of doing business.

Unfortunately, traditional change management programs fall short of making change stick in the long term. Without the full details of what is changing, stakeholders are not properly identified, and without a full picture of stakeholders, business requirements are missed, which then impacts the solution. Typical outcomes of these programs include:

- ➢ Frustrated system users as a result of:
    - – Missed changes to day-to-day tasks
    - – Inadequate system access
    - – Insufficient knowledge transfer, especially on unique business scenarios
- ➢ Impacts to Business Execution due to:
    - – Inadequate knowledge transfer on end-to-end business processes and integration
    - – Missing business requirements
    - – Longer productivity slump
- ➢ Reduced system acceptance caused by:
    - – Missing stakeholders and stakeholder requirements
    - – Inadequate or incomplete communication
    - – Low business readiness

PROCESS DRIVEN APPROACH TO CHANGE MANAGEMENT

Process Driven Change Management focuses on process gap analysis to identify changes and impacts to an organization. While traditional approaches focus more on the "packaging" – how is communication best received, what should be the medium (email presentations), frequency and tone – the process driven approach is more centered around getting the message right. If the message is right and captures impacts to a sufficient level of detail to minimize surprises, the road to adopting a new ERP system is much smoother.

Business processes are the foundation on which all other aspects of an ERP system are built. The business process defines how an organization wants to function and execute their tasks to deliver the products or services they are valued for. The steps used to execute each process step can be delivered either through system functionality or by a supporting manual process, an important distinction when identifying change impacts. And every business process makes use of data. The handling of data at each step and the changes to data as a result of the new system (formats, number ranges, security, etc.) leads to the definition of system roles and, most often than not, to the revamping of business roles and required user skillsets.

The Process-Driven Change Management approach helps to bring the Change Iceberg to the surface by ensuring that process and technology are incorporated in the fold of change impacts. The benefits of this approach include:

➢ Methodical and repeatable process to capture and address changes *early* in the project
➢ Validation and feedback on the impacts of change *before* go-live
➢ Iterative approach that builds incremental knowledge and acceptance of the new system.
➢ Supports communication
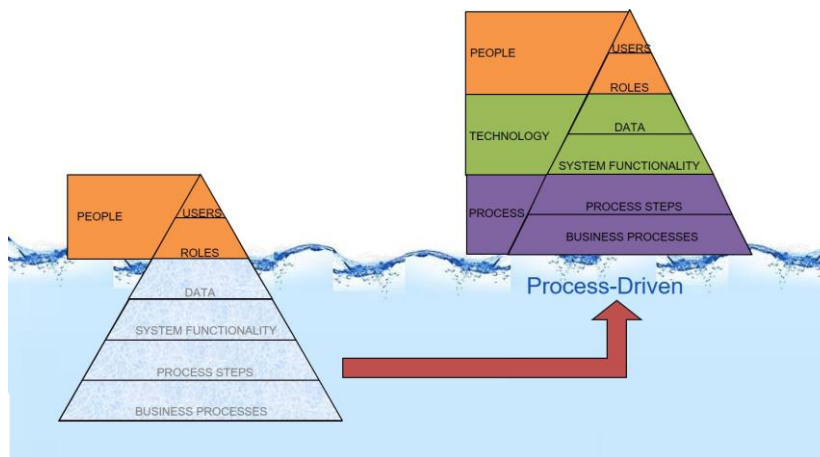
THE KEY ELEMENTS OF CHANGE

The key elements that need to be addressed to enable change remain the same regardless if the approach is Traditional or Process-Driven. For an organization to embrace the changes resulting from an ERP implementation, the Change Program needs to address:

1. Roles and Responsibilities
2. Knowledge Transfer
3. Communication

The difference between the two approaches is that process-driven approach provides a more complete understanding of the impacts as the technology and system components are embedded within each of the three items.
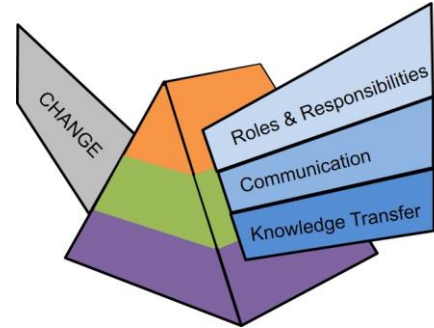
THE NUTS AND BOLTS - IMPLEMENTING A PROCESS DRIVEN CHANGE MANAGEMENT PROGRAM

The framework for identifying change impacts begins with an understanding of the "Current State" (As-Is) and the "Future State" (To-Be). For each of the Current and Future states, the framework is based on analyzing the inputs and outputs of each business process, and adding the critical question of "who is impacted?" in order identify stakeholders. The inputs and outputs analysis needs to include data and system functionality for it to be effective. The framework is then repeated iteratively, drilling down into more detail: business processes, business activities, business & system roles, and finally system users. This process is depicted in the figure below:
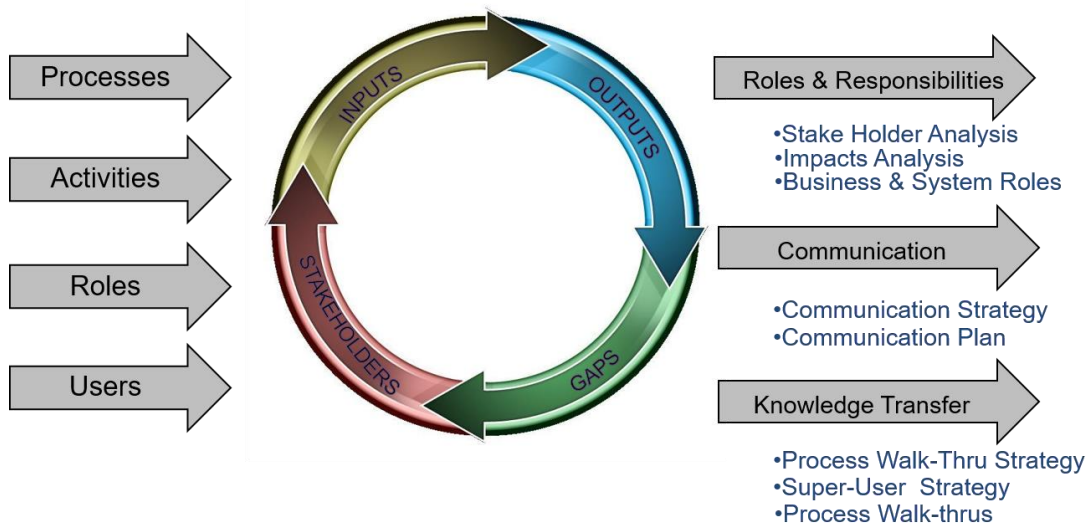
Figure 3: Change Framework

Upon completion of the Current State and Future State analysis, the processes, activities, roles and users within each state can be overlaid on the functionality of the new ERP system and assessed for gaps. These gaps will identify critical areas of focus for the change management program and provide sufficient detailed to assess the magnitude of change impacts.
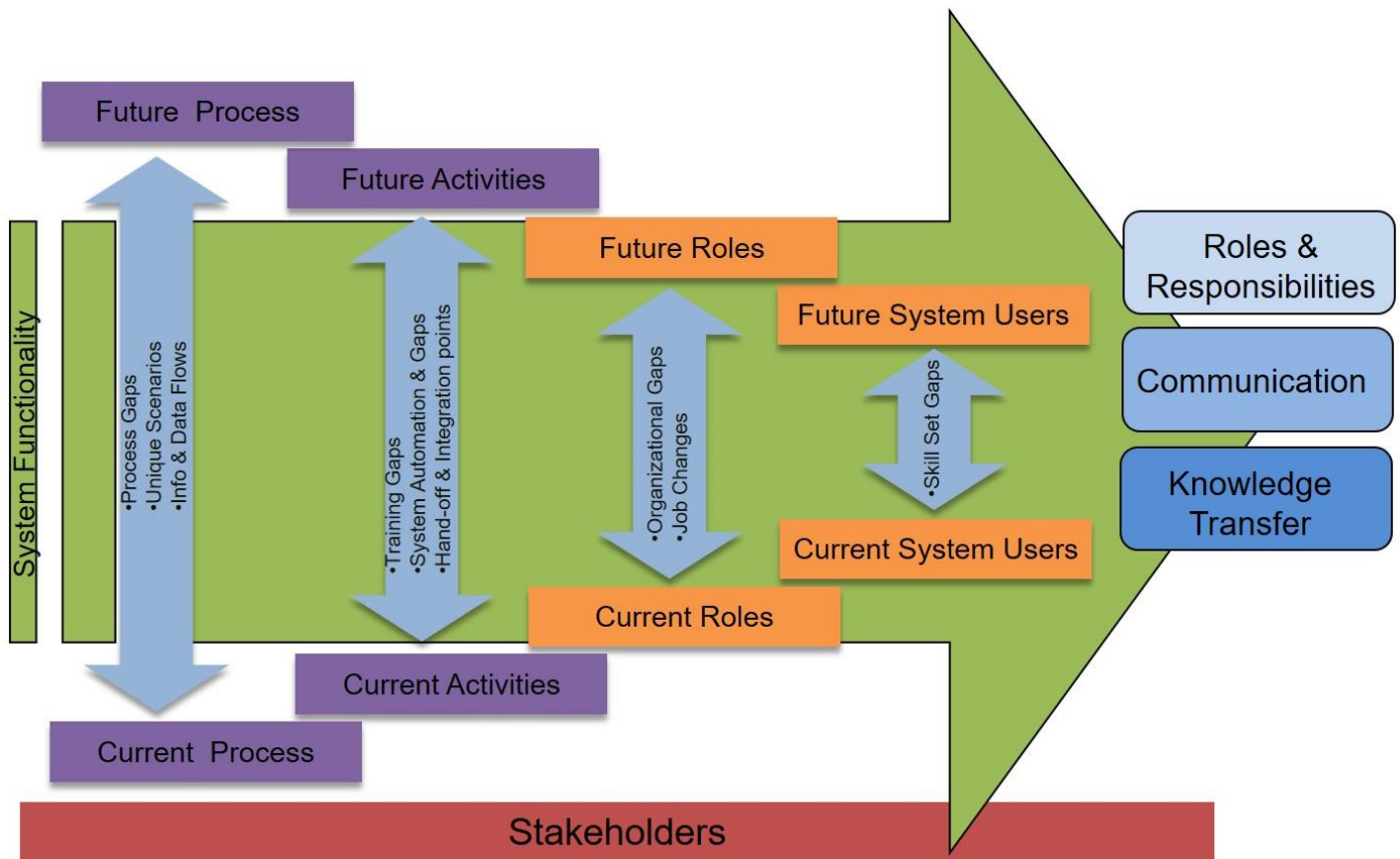

Figure 4: Gap Analysis Diagram

THE IMPORTANCE OF GAP ANALYSIS

Many system implementations skim over the current vs. future state analysis listing various reasons:

- Organization will be adopting processes in new system so no need to dwell on old processes that will be going away
- There will be minimal process re-design
- Business processes were re-designed prior to system selection
- Organization already knows the current state inside out.
- There is no time or budget to complete the analysis

For a Change Management program to be effective there MUST be a Gap Analysis performed that is appropriate for the process implementation strategy:

Implementation Type	Watch-out For:	Mitigate With:	Expected Outcome
NEW BUSINESS • Adopting processes in new system. • Limited knowledge of current processes.	• Higher incidence of gaps between current and future state • missing unique business processes or people-driven processes.	•Details of WHAT is changing is critical for effective knowledge transfer •Stakeholder analysis critical to ensure all unique scenarios and processes are captured	• Thorough understanding of changes and impacts • Overall Improved knowledge of business processes • Smoother transition post go-live
BUSINESS AS-IS: •Implementing existing processes •Mandate of minimal process re-design	• Under-estimating gaps between current and future processes with new system. • Pre-set expectations	•Gap analysis needed to validate degree of process re-design. •The "why" becomes more critical as organization has pre-conceived notions of future state.	• Moderate understanding of business processes and changes • Some issues with end-to-end processes at go live
TRANSACTIONAL: •IT-lead project •Focus on system functionality •Lack of business context	•Missing integration points •Broken end-to-end processes •Missing business requirements	• Inject business context in training materials • Exhaustive Communication Strategy needed to offset some of the risks.	• Longer transition post go-live • Longer support and hand-holding of system users • Issues with missed business requirements.

MAKING CHANGE STICK

Strategies for making change stick often focus on reinforcement post-go live, but there is much that can be done to solidify change before go-live through the process-driven approach. Below are a number of focus areas and strategies to help set an organization to receive the new system with positive anticipation instead of resistance:

System Roles – Mirroring the Business

System access will have the most impact on the acceptance of the new system and processes. The Change Management program needs to ensure that:

- System authorizations and business roles reflect each other as much as possible
- Access requirements for unique processes and steps that may deviate from pre-configured standards are communicated clearly
- The impact of system authorizations to support integration points and other hand-offs is well understood
- System and non-system tasks required to execute business processes are included in the training curriculum.

Process Walk-Throughs – A Critical Knowledge Factor

Knowledge of Business Processes is critical to ensuring user acceptance. Process walk-throughs should be used to:

- Validate business and system processes with stakeholders
- Validate business requirements
- Expose discrepancies upfront
- Uncover unique scenarios / infrequent processes
- Discuss hand-offs and integration points
- Understand business-execution end-to-end.

Data Migration & Conversion – Its really what its all about

We live in the era of data analytics, and the clear communication of business information is the foundation for an ERP system. Changes and gaps in this information may be deemed "technical", but it these are the details that can build walls in the way of change:

- Data Formats
- Merges
- Splices
- Fonts
- Complexity
- Clarity
- Search Procedures
- Master data procedures
- Data Owners
- Lead times

SURGE
ERP Consulting

OUTCOME OF PROCESS DRIVEN CHANGE MANAGEMENT APPROACH

With the full picture of what is changing, who is impacted and what they require, the outcome of the process driven change management program is far more optimistic:

- ➢ More confident system users
  - – Clear understanding of their roles (both business and system) and day-to-day tasks
  - – Less issues with system access
  - – Greater knowledge of unique scenarios and one-offs
- ➢ Smoother Transition to New System
  - – Greater understanding of end-to-end business processes and integration
  - – Satisfaction of the majority of business requirements
  - – Reduced productivity slump
- ➢ Improved system acceptance caused by:
  - – Greater engagement of stakeholders
  - – Adequate communication
  - – Effective business readiness indicators

Ultimately, the Process-Driven Change Management approach drives project success by helping validate the quality of information about business processes, and drive the end-to-end integration across the system and the business.

SUMMARY

There is no question that Organizational Change Management is one of the critical success factors of ERP implementations. Incorporating the Change Management framework within the process analysis needed to properly define and design the system helps not only improve the quality of the final product but it helps identify the gaps in end-to-end processes, activities, roles, and user-base upfront, before go-live. The early understanding of these gaps provide the project team and the organization with the time it needs to address these gaps, either through proper definition of Roles and Responsibilities, through communication, or through knowledge transfer.

> "To improve is to change; to be perfect is to change often."
>
> WINSTON CHURCHILL

The process-driven approach to change contributes to project success by breaking down change into tangible, quantifiable, and actionable pieces of the ERP puzzle.

ABOUT SURGE ERP

SURGE ERP Consulting consists of a team of highly experienced Management Professionals who help their clients achieve their business transformation goals through the use of technology. SURGE guides their clients through the process of selecting, implementing and maximizing software tools including best-of-breed applications and Enterprise Resource Planning (ERP) systems, either "on the cloud" or on premise. SURGE is not aligned with any single software vendor and can be completely impartial when facilitating the selection process.

For more information, visit their website at: www.SURGE-ERP.ca