



An expert guide to selecting and implementing ERP solutions

Expert insights for those embarking on the ERP implementation journey

Prepared by Hayden McCall

Table of contents

3	Executive summary
4	31 practical tips to help you with selecting and implementing an ERP system
6	The Panellists
8	Selection: What are the key factors in successful ERP system selection?
10	Business Case: What are the key considerations involved in constructing a business case for an ERP project?
11	Expectations: What are your tips on setting expectations internally for an ERP project
13	Cloud: What are some of the factors in considering a Cloud deployment model?
14	Requirements: How far out should you plan future needs?
15	Implementation: What are the key factors in kicking the project off successfully?
16	Consultants: Engaging external project management consultants
17	Resources: How best to manage company resources during an implementation
18	Change: What are some tips to cope with organisational change management

Background

This paper is an abridged transcript from a live event at which *iStart* assembled a panel of three independent and vendor agnostic ERP selection and implementation consultants. The panellists represented a combined experience of over 60 years. The event was held in Nov 2014 in front of a live webinar audience. Epicor Software Corporation sponsored the roundtable event and the collation of this paper, but did not have any influence over the content.



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Executive summary

Businesses need to identify the intricacy of how things actually work in a day to day setting, versus how they should work, in order to better resolve how they could work.

ERP implementations are by their very nature lengthy and complex with significant risks that need mitigation.

One of the strongest themes to come out of the discussion was the imperative to understand existing processes while also planning the desired or 'could be' future state. Businesses need to identify the intricacy of how things actually work in a day to day setting, versus how they should work, in order to better resolve how they could work. Such analysis lays the platform that subsequent success with software selection and project delivery relies upon.

The other strong theme was the need for the whole organisation to have visibility over the project so individuals can understand the reasoning behind the change and embrace the project objectives long before go-live.

Without seeking to be self-serving, the panel was in consensus that the input of experienced independent practitioners to guide the client through the justification, planning, analysis, selection and implementation phases is vital to success.

Key insights:

- Make sure the business case properly addresses the organisational impact, and takes a medium to long term term view. Don't prepare it and shelve it once approved, let it live and act as a resource that informs the project and holds leadership to the expectations that have been set.
- Senior management need to demonstrate their commitment and not just verbalise it. They need to foster resilience inside an experienced team that understands how the business really works, and is prepared to go the extra mile.
- Use the leverage you have with vendors before you sign the contract. Don't try to be too prescriptive, be open to change and explore alternatives.
- Recognise when skills don't exist in house, and engage specialists who can lean on previous experience to navigate teams through challenges.
- Keep vendors honest and accountable for what they commit to - record demos and insist that contracts reflect commitments made, and that the people assigned are suitably qualified to both understand your business and deliver the solution.
- Preparing for change takes dedicated and focused resources, don't underestimate what it takes to encourage change. Keep an open door to the wider business, invite and encourage their participation, and celebrate successes with them.
- And, lastly, a comment that says a lot more than just the words it uses - remember: "It's just the start once you go-live."

31 practical tips to help you with selecting and implementing an ERP system

60 years of ERP experience have been captured in this conversation with industry experts.

SELECTION

“Engage specialists who really know the market, who deal with the vendors and partners all the time. That ‘warts and all’ knowledge is invaluable.”

“Video the demonstrations as a bit of risk mitigation – you might want to refer back to representations that were made in the demo.”

“Do reference checks that the vendor provides, but also do some of your own.”

“Instead of calling it the ‘future state’ we call it the ‘could be’ state, so we’re not prescriptive in saying it has to be that way.”

“Record vendor representations and factor them into the contracts so that they can be referred to during the implementation.”

Insist on presentations being attended by the consulting staff that are going to be involved in the implementation.

SETTING EXPECTATIONS

“Top management actions, and not just verbal support, are important in setting expectations.”

“It’s not always a pleasant experience implementing ERP – although you’d like it to be – so your people have to be very resilient.”

“It’s just the start once you go-live.”

“Understanding the current processes is probably the most important thing you need to do when implementing an ERP.”

“Don’t just allow a vendor to assign consultants thinking they’re all the same, because they are not.”

“Vendors do oversell and they don’t factor in a lot of client-side activities. It’s a sad indictment of our industry...you need to be wary of that upfront and address those expectations early on, particularly with your sponsor and the executive team.”

“Vendors prefer you to sign the deal first and then assign consultants, but you can push pretty hard for it because you’ve got leverage at that stage.”

“You’ve got to factor in the impact on productivity. There’s a big call on internal resources before go-live for testing and training...and for power users after go-live.”

BUSINESS CASE PREPARATION

“One of the biggest oversights [is not] addressing the issue of understanding the organisational impacts of an ERP solution implementation and its aftermath.”

“You can’t think of getting a return on investment in 6-12 months, it’s further out than that.

But you’ll notice it in two years’ time and wonder how you used to get on.”

“It’s a document that has a life, and for many organisations it gets shelved after it’s been approved.”

PLANNING

“Define future state processes as broadly as you can, as that’s really how you want to operate... prioritisation determines what you’re going to implement initially.”

“Unless the feature is already generally available don’t consider it...unless you can see it and touch it, then it’s not real.”

CLOUD CONSIDERATIONS

“Check exactly what it is that the vendor’s offering, how mature it is and what the model is.”

“At some point in the life of the solution the cloud-based costing model will become more expensive than the traditional model.”

IMPLEMENTATION

“If you’re going to change how people work but they can’t see it, understand it and agree to it then you’ve got difficulty.”

“Getting people involved in defining those processes will get you buy-in and understanding of the new regime; so get them involved in testing to help them understand the process.”

MANAGING RESOURCES

“If someone has been through these exercises plenty of times, they know how to deal with issues and how to get back on track.”

“Putting the best people on the project [and full time] should hurt the business, but you’ll get the best outcomes.

Don’t start if you don’t have the best people.”

“Locate the consultants and internal experts together...knowledge is transferred and your organisation becomes self-sufficient early on in the process.”

“Celebrate some success along the way, and keep the motivation up and focus on what you are doing.”

PREPARE FOR CHANGE

“You have to achieve [the scope], and if it’s too ambitious you’ll struggle and things will become nasty.”

“Make it as visible as you can so people understand the processes that will be impacted and how to change and what the new world looks like.”

“[Experienced change managers] have got the methodologies in place and their tools and tricks along the way will help your users.”

“Typically HR people aren’t good change managers – they just don’t have the experience or the tools to do it properly.”

The panellists:



Barry Carruth

Managing Director, Probity Consulting, Auckland/Wellington, NZ

- Systems procurement & evaluation
- Strategic consulting on technology
- Business case preparation, process design, project management and managing mergers and acquisitions.

www.probity.co.nz +64 4 499 6024



Greg Thompson

'Succession of Architecture' Director, Present Group, Perth, WA

- Greg implemented an ERP in Present Group which has been in production for 18 months.
- 15 years as specialist, customer-side (i.e. vendor agnostic) ERP implementation program manager.
- Nine major multi-national ERP implementations in a number of different industries but primarily in manufacturing.

www.presentgroup.com.au +61 8 9244 4477



Jamon Johnston

Director & Owner, Solution Minds, Perth, WA

- 20 years+ of strategic advisory and implementation consulting experience
- 11 years at Andersen and Deloitte Consulting as a Director.
- Set-up, led and delivered over 75 enterprise software strategy, selection and implementation projects across the world.

www.solutionminds.com.au +61 8 9226 2290



Selection: What are the key factors in successful ERP system selection?

I strongly recommend engaging specialists who really know the market, who deal with the vendors, deal with the partners all the time. That 'warts and all' knowledge is invaluable.

JJ – Securing the right sponsor, setting expectations early, understanding what the drivers for change are, agreeing to the objectives of the whole project upfront, socialising those and getting agreement are all important to success, as the others have pointed out. But I'd add that the selection approach needs to be the right level for your business in terms of the due-diligence that you need to go through and the risk mitigation. You don't want to just choose something because a competitor uses that product – that's very, very risky because every business is different in terms of objectives and requirements. We typically choose the software for the business and also the software partner at the same time too. A bit of a plug for us consultants, but I strongly recommend engaging specialists who really know the market, who deal with the vendors, deal with the partners all the time. That 'warts and all' knowledge is invaluable.

Further to what Greg said before about process work, that's absolutely part of our recommended approach. Some companies don't like us doing it because they think it's a waste of time so we've tried not doing it, and jumping straight to the future state, but it's hard for people to get their heads around. You can document the as-is processes really quickly because people know what they currently do, where the issues are, and where there are touch-points with other systems. It is a valuable exercise particularly if a business has grown organically or acquisitively as it's a chance to standardise your processes to support how you want to operate in the future.

We also encourage companies to do some investigation in to what competitors and other companies in the industry are using – you don't really want to be on the bleeding edge! You can typically pick out two or three products that are dominating your space. The business scenarios part of

the selection is really important – if you've done the process work your desired future states drive those business scenarios. Focus on the differentiators; if you're looking for a pretty broad footprint for your ERP, you don't necessarily need to spend a huge amount of time on finance because it's pretty standard in the packages these days, so focus on the operational areas that will really make a difference to your business.

Provide your managers with data so vendors can make their demonstrations more meaningful. I strongly suggest you video the demonstrations as a bit of risk mitigation – you might want to refer back to representations that were made in the demo or even share them with people that weren't part of the selection committee. At the backend reference checking is absolutely critical. Do your reference checks for the references that the vendor provides, but also do some of your own. Some of your selection committee will know people in other businesses, so we encourage some informal reference checking. It's quite insightful.

Finally, just negotiate when you have leverage, which is before you've made the decision. We like to engage the preferred vendor and partner for a detailed scoping/ planning study before we buy the software, so they can put in a proposal based on real information. We typically like to invite them in from anywhere from two to three months to do a detailed scoping exercise to really understand what is meant to be coming out of the box, what the gaps are, and refine the costs. Then we can refine our business case before we embark on the actual implementation itself. If you do this, you also get to suss out the consultants as well and maybe ask for replacements if they are not right for your business.

We've grappled with getting the right balance between flexibility and pinning down plans and requirements many times

Instead of calling it the ‘future state’ we call it the ‘could be’ state, so we’re not prescriptive in saying it has to be that way.

in the past. Instead of calling it the ‘future state’ we call it the ‘could be’ state, so we’re not prescriptive in saying it has to be that way. What we want is for the vendors to demonstrate against these future state processes as well as showing us how their good practice inbuilt system processes work. When we do decide on what the solution is, then there is a negotiation process really to determine our future state versus what the system provides.

There are also different views on how useful lists of requirements are; they’re a guide. We base the requirements list on current requirements and we get the vendors to represent whether their package is supported out of the box, as a customisation requirement, or as third party add on – that all helps drive the refinement of the implementation cost. The list of requirements can also help knock out any vendors that have big weaknesses in their product set.

We also like to get those vendor representations and factor them into the contracts so that they can be referred to during the implementation. But bear in mind requirements are only written in a certain level of detail, and although a system can do something, how it does it may be different to your expectations.

BC – I would like to emphasise one additional component. We’ve done many, many selections for organisations and we always emphasise to our clients that you’re not just buying software, but you’re buying a long-term relationship with a vendor. The vendor is going to become part of your business for up to 12 months during implementation and then will continue to provide ongoing support for this application for its lifetime. It’s absolutely essential that the dynamics between the vendor’s organisation and the client’s organisation are going to work, and although we place a

lot of emphasis on ensuring that we get the right software solution, we put just as much emphasis on ensuring that we get a good long-term relationship with the vendor.

Sales people are not the ones who implement and support the product. During the pre-sales or pre-purchase activity, we insist on presentations being attended by the consultants that are going to be involved in the implementation. So we get to meet the staff that are going to be involved and just see if there’s a good mix there.

Business Case: What are the key considerations involved in constructing a business case for an ERP project?

One of the biggest oversights that we have found is that business cases just don't address the issue of understanding the organisational impacts of an ERP solution implementation and its aftermath.

BC – The vast majority of organisations understand what the content of a business case should be, and most organisations have got a template approach to actually creating one. In our experience however, one of the biggest oversights that we have found is that business cases just don't address the issue of understanding the organisational impacts of an ERP solution implementation and its aftermath.

They tend to omit the business impact of taking key people out of business-as-usual roles to work on the project, and they don't seem to understand the staffing and structural requirements of the business post go-live – and the costs required to put that new structure and those new people in place. You need to have a good QA process, understand the assumptions that have been made, and document those assumptions in the business case.

JJ – It's really important to be as realistic as possible from the start and set the right expectations with management from the beginning, especially if they haven't been through ERP projects before. Without a really detailed understanding your business case is likely to fluctuate, so I would say put quite a bit of cost and time contingency in there.

GT – Many of the processes are complex and it is difficult to put together an ROI type business case, you need to take a long-term view, which is hard in some businesses, but you can't think of getting a return on investment in 6-12 months, it's further out than that. But you'll notice it in two years' time and wonder how you used to get on without it.

I think you've got to factor in the fact that to grow to any size you simply need an ERP system. Once a business gets above village size you'll really struggle on small systems.

BC – There are a number of audiences for the business case, and I think the one that needs to be at the top of mind for most large organisations is the investment committee who make the decisions about what projects get priority and what projects get funding. Their processes are usually quite robust these days and they will examine business cases in great detail before approving them. So this goes back to the comments the other presenters have made about ensuring the quality of the content and building in a contingency for unknown factors.

The steering committee and project owner will also take an interest in the content of the business case. After that unfortunately the business case is often stuck on a shelf and forgotten about when it really needs to come out again during the project, particularly at the end in order to judge whether you have actually achieved the benefits you set out to achieve.

It's a document that has a life, and for many organisations it gets shelved after it's been approved.

Expectations: What are your tips on setting expectations internally for an ERP project

Top management actions, and not just verbal support, are important in setting expectations.

GT – From my experiences, I think top management actions, and not just verbal support, are important in setting expectations. People see how top managers react and champion these things. For example a regional manager on a recent project didn't think it was his job to champion the process, therefore no one in that region did it and we struggled for ages.

Management time is another important one, as Barry mentioned. Not just the project team's time but also non-project members' time, such as the time key managers need to make decisions around process, which can be considerable.

Project members – the team is really important both in terms of the type of person that you pick and how you backfill their roles. If you've got more than 10 people in the company then the role needs to be fulltime, whether it's one person that does everything or a team. Time and time again I've gone in after companies have tried to implement systems with part-time resources, and I haven't really heard of one that has actually worked, so that's a major consideration. Also regarding the team; they need to be the right type of people. It's not always a pleasant experience implementing ERP – although you'd like it to be – so your people have to be very resilient. There can be some tough times and they need to be able to handle that and not project it outside the team.

Scope – another thing is that you need to be very clear on is the scope of the project. With ERP implementations it's just the start once you go-live, so make the original go-live as small as possible because it is disruptive. Make the scope tight and control it; you need mechanisms to be able to do that.

The last point, and probably the most important one, is that you need to understand the current processes and what they entail before you start. When I started out some years ago the methodology was

to map your 'to-be' and map your 'as-is' environments and then six months later you would start thinking about implementing an ERP. That went out of fashion because it was maybe seen as a fee-grab by consultants, so we went to implementing without understanding the 'as-is' processes. Unfortunately that brought about a whole host of downstream issues. Now we've gone back to making sure we understand the processes because it is probably the most important thing you need to do when implementing an ERP.

On the budget side lots has been written about that too, so I won't dwell on licensing and consulting costs. One piece of advice on choosing the consultant though: once you've decided on your software make sure you do personal interviews to get the right consultants because, in my experience, what you're looking for is individual consultants that not only know the software, but can relate to your specific business. It's like you're employing someone. Don't just allow a vendor to assign consultants thinking they're all the same, because they are not. If you do that your budget cost for consultants will balloon because you will have to change them out.

Barry mentioned the internal labour and expenses, I really wouldn't underestimate that – there's a fair bit of internal time required and it's not just during office hours. But you also need to factor in that there may be an impact on your cash flow come go-live if your go-live is involving getting an invoice out, because there will be some issues. So just make sure that the people impacted understand that, and that they've got some movement in their cash flow around go-live.

BC – I'll just expand on the people selection point because the project manager is key to the success of a project. One of the things that you should look for when you're selecting a project manager

A lot of vendors don't like doing that, they prefer you to sign first and then assign you a consultant, but you can push pretty hard because you've got leverage at that stage.

is someone who is able to understand who their audience is. I've seen a number of projects that have come close to failure because the project manager has not been able to identify who their key influencers are within the business, and has excluded them from the communication pool, much to the detriment of the project.

JJ – Just a couple of quick additions: in terms of expectations, in my experience (and I've done lots of selections) vendors do oversell and they don't factor in a lot of client-side activities. Typically you'll get vendors selling the selection committee talking up how much they can implement in a short period of time when generally ERP projects tend to go slightly over time and budget. It's a sad indictment of our industry, but those are the facts, so you need to be wary of that upfront and address those expectations early on, particularly with your sponsor and the executive team. Getting a sponsor that's been through an ERP project before who understands the scale and complexity I think is really important in terms of setting those expectations. They can help convey those messages to the board as well.

In terms of signing up the consultants I completely agree with Greg. What we typically do is interview the consultants before anything has been signed and get those people committed to the project. A lot of vendors don't like doing that, they prefer you to sign first and then assign you a consultant, but you can push pretty hard because you've got leverage at that stage.

Greg also mentioned the cash flow impact, which I completely agree with: you've got to factor in the impact on productivity. There's a big call on internal resources before go-live for testing and training and for power users supporting other end users after go-live. And it can have an even bigger cash flow impact if you are not able

to produce your products or services when those people are tied up on the project, so you need to factor that in and backfill people so you don't take a bigger hit.

Cloud: What are some of the factors in considering a Cloud deployment model?

It's about checking exactly what it is that the vendor's offering, how mature it is and what the model is.

BC - Based on our experience here in New Zealand, there are very few vendors who are part of the offering that we would consider to be a full cloud-based ERP solution. There are many vendors who are offering what is effectively a hosting solution but not full cloud. We are aware that many vendors are working towards a full cloud solution. I think the first question for vendors who say they can provide a cloud-based solution is to ask what they are actually providing. Is it a hosted solution of the current software? Or is it providing access to another web-based application, which has been written specifically for cloud deployment?

And this leads to the second question: has that application been tested in your industry? So I think first of all, it's about checking exactly what it is that the vendor's offering, how mature it is and what the model is. The other thing I think you need to be aware of when you're looking at cloud solutions is that from a cost perspective, they're very, very different models. A traditional approach to implementing software is usually capital intensive upfront, and then has an ongoing maintenance quote which usually comes out at somewhere around 20 percent of the initial purchase. With the cloud model you are effectively entering into something that is similar to a lease and those recurring costs will last as long as you use the software. Now at some point in the life of the solution the cloud-based costing model will become more expensive than the traditional model as you are paying a higher rate on an ongoing basis. I think these are two key considerations. If you're comfortable with the answers, then start a discussion about the other factors that contribute to cloud risk: response time, data sovereignty, security, business continuity planning, vendor stability (because if the vendor were to go under you'd obviously be in a difficult situation in terms of gaining access your software and

your data).

JJ – I think that web based software-as-a-service browser solutions are being considered alongside on-premise solutions. On the ERP side I think SaaS generally does make sense for smaller businesses, but larger ones tend to like to have the control and keep their solutions on-premise – they may have much more complex integration requirements. Certainly at the smaller end we've helped a business implement a leading ERP cloud solution, which was really quite painless in terms of the deployment. There was no technical set up, which is often a little bit of a problem, and the deployment set-up was really quite easy and that client is still liking that product a lot.

In terms of peripheral packages like CRM and particularly HR we are definitely seeing a big take-up in cloud solutions bolted onto on-premise solutions.

Requirements: How far out should you plan future needs?

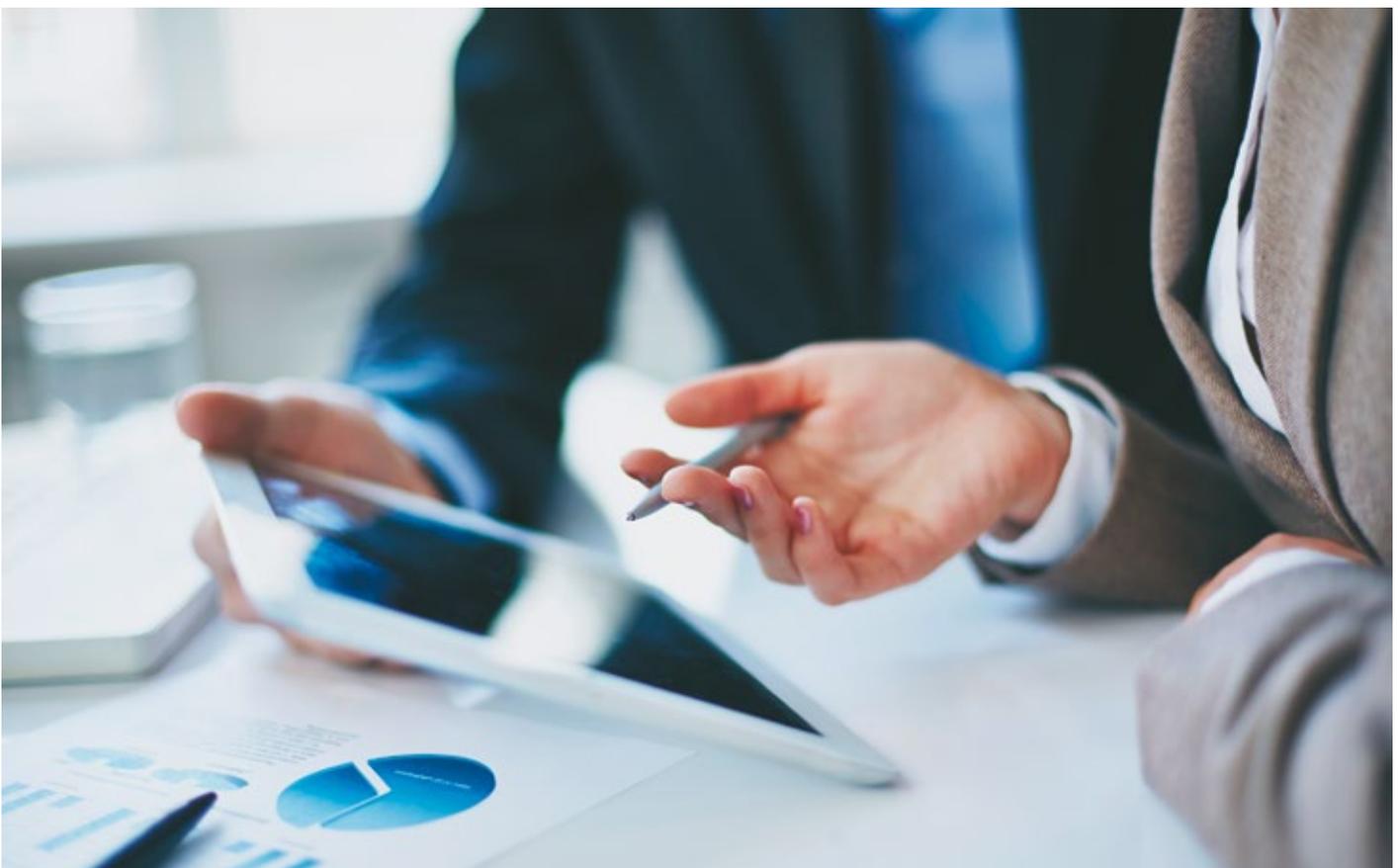
It's worthwhile defining your requirements in future state processes as broadly as you can, as that's really how you want to operate.

JJ – You should plan as far out as you can quite frankly. I think it's worthwhile defining your requirements in future state processes as broadly as you can, as that's really how you want to operate. Those requirements need to be defined and prioritised and the prioritisation determines what you're going to implement initially. You may have another module that's not relevant for right now, but I think you should look at it as part of your decision making process to make as informed a decision as possible upfront in order to future proof your programme. In terms of the other requirements, get the vendors to respond but be aware that they may not always be completely accurate as there's different levels of quality in

responses. To mitigate this, state in your RFP that responses will be included in contracts or referred to during implementations to try and get a more accurate view. But unless the feature is already generally available don't consider it.

BC – I agree, we're in a couple of very large selection processes at the moment where we have vendors advising us that their next release will have this and that but we don't bank on that to be honest. Unless you can see it and touch it, then it's not real.

GT – I was going to say that the next release always has the things that you need!



Implementation: What are the key factors in kicking the project off successfully?

If you're going to change how people work but they can't see it, understand it and agree to it, then you've got difficulty.

GT – There's lots of whitepapers on this, but from experience, my best implementations have always been when both the team and the organisation understand their processes fully, warts and all, and they understand how to deal with the small number of tricky parts that take up all the time. That's why mapping the as-is environment is time well spent because you can address those outlier issues. If you don't and you've already implemented your system you'll find out people invariably tell you how the current process is meant to work and you really have to winkle out of them how they actually do it otherwise the system that you design won't be able to address that. Doing the process mapping also helps you visualise and manage the scope of the project which is one of the big causes of cost blow-outs. If your scope is visible then it's fairly clear when you're working outside those processes. I've found that using a good mapping tool that people can see and understand is a huge benefit to a successful implementation. If you're going to change how people work but they can't see it, understand it and agree to it then you've got difficulty. You've got to make it as easy as possible for people.

BC – Understanding what your future state business processes are and what you're trying to achieve in the project is certainly key to success. I think you also need to involve the buyer and the people who are going to deliver those processes as they were designed, so you have the right level of commitment to change within the organisation itself.

If you do take the time to really find out how staff actually do things on a day-to-day basis, then the other things that are really important in implementation, like top management really understanding the objectives, will come from that. Getting people involved in defining those processes

will get you buy-in and understanding of the new regime; so get them involved in testing to help them understand the process.

Consultants: Engaging external project management consultants

If someone has been through these exercises plenty of times, they know how to deal with issues and how to get back on track.

BC – I think various aspects of this have been discussed but if you want a word: it's about de-risking the project. You're engaging somebody right from the outset that has a well understood process to get you from the current state, through to selecting a vendor then implementing an ERP solution. Your consultant should not only understand the product and the market but should also be able to contribute to designing the solution. When an organisation is thinking about how they can solve a problem the consultant should be able to bring his or her experience to bear and offer alternative ways of getting the process to work, or

leverage the technology to automate it or to get a better level of process design. Right from the outset they should be able to add value, but at the end of the day it's about minimising the risk and getting a better outcome for the client.

JJ – Around de-risking the project, I think the consulting expertise also shows through in being able to manage the vendor effectively, particularly if things start to go a little bit wrong. If someone has been through these exercises plenty of times, they know how to deal with issues and how to get back on track.



Resources: How best to manage company resources during an implementation

Putting the best people on the project could hurt the business, but you'll get the best outcomes.

JJ – Get the best people on the project and don't start if you don't have the best people. Don't just accept the people who are less busy. Putting the best people on the project could hurt the business, but you'll get the best outcomes.

Make sure you get a back-fill budget in your business case so that team leaders pay can be allocated to the project – doing both project work and BAU (business as usual) activities doesn't usually produce the optimal outcomes, so try and get people devoted to the project. They may only need to be part time early on in the analysis and design phase but time requirements definitely ramp up during build and test phases and so on. In terms of managing company resources, you need to incentivise – these exercises are pretty arduous and not terribly fun so you may want to incentivise some or all of the roles.

Clearly communicate responsibilities and expected effort for the people involved at different stages of the project, early on in the charter. You need to provide context for the overall project, but really focus on the activities for the stage ahead.

Finally, as ERP consultants we're usually involved in project management and change management, while the functional experts come from the business. They need to work really closely with the ERP consultants. It's best to sit the consultants and internal experts together to get the best results so that knowledge is transferred and your organisation becomes self-sufficient early on in the process. That way you're not reliant on the consultants at the back-end of the process and after go-live.

BC – ERP implementations do take a long time and I think it's important to identify key components or key deliverables in the process so you can celebrate some success along the way, and keep the motivation up and focus on what you are doing.

Change: What are some tips to cope with organisational change management

You have to achieve it, and if it's too ambitious you'll struggle and things will become nasty.

GT – One CEO described ERP implementation as like open-heart surgery for the business. It has to be done otherwise the business would have not been very well, and it wasn't well for some time after, but in the longer term it's better for it. That's probably a fair analogy, but it doesn't have to be as bad as it could be. I think you need to concentrate on making sure that the original scope that you are striving for is manageable and not too ambitious. You have to achieve it, and if it's too ambitious you'll struggle and things will become nasty.

The other thing is making sure the stakeholders and the employees understand the need and the benefit. It can be difficult to get that message through, so give a clear, concise and consistent message, and use whatever the common media is within your company – whether it's blogs on the portal or standing around the coffee machine – get involved and keep the message going. Also make it as visible as you can so people understand the processes that will be impacted and how to change and what the new world looks like. If you can convey that, then you're doing pretty well. I also take Barry's point of needing to celebrate milestones with everyone, not just the project team.

JJ – Just one thing around change managers, typically an organisation doesn't have an experienced change manager who has been through ERP projects before, so I would definitely encourage people to look externally for someone that's been through it plenty of times before – they've got the methodologies in place and their tools and tricks along the way will help your users go from where you are now to your future state.

Change managers need to be involved from the start, because the best change managers need to understand the processes upfront and how they are changing and the impact on individual people in the business.

They can't just come in at the end – they're not trainers. People get confused between change management and training: change managers may help in terms of training needs analysis and working with the vendor to do the curriculum but they typically don't do the training themselves.

BC – We consider the change manager role as so important that we always place our change managers on the steering committee, so they have an active voice from the beginning of the project.

A lot of people confuse change management with being some type of HR role, but it's a little bit more than that. As Jamon said, understanding the change process around an ERP implementation is quite different from just a general change management role.

JJ – And typically HR people aren't good change managers – they just don't have the experience or the tools to do it properly.

About Epicor

Epicor Software Corporation is a global leader delivering business software solutions to the manufacturing, distribution, retail and services industries.

With nearly 40 years of combined experience serving midmarket organisations and divisions of Global 1000 companies, Epicor has more than 20,000 customers in over 150 countries.

www.epicor.com

About the author

Hayden McCall is owner and publisher of iStart technology in business magazine.

iStart creates and publishes technology related news, research, opinion and thought leadership content through digital, social and print channels across Australia and New Zealand.

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