SIGNAVIO

7 Step Guide
to ERP Transformation

Drive change in your organization,
and make a quantum leap in efficiency
and productivity

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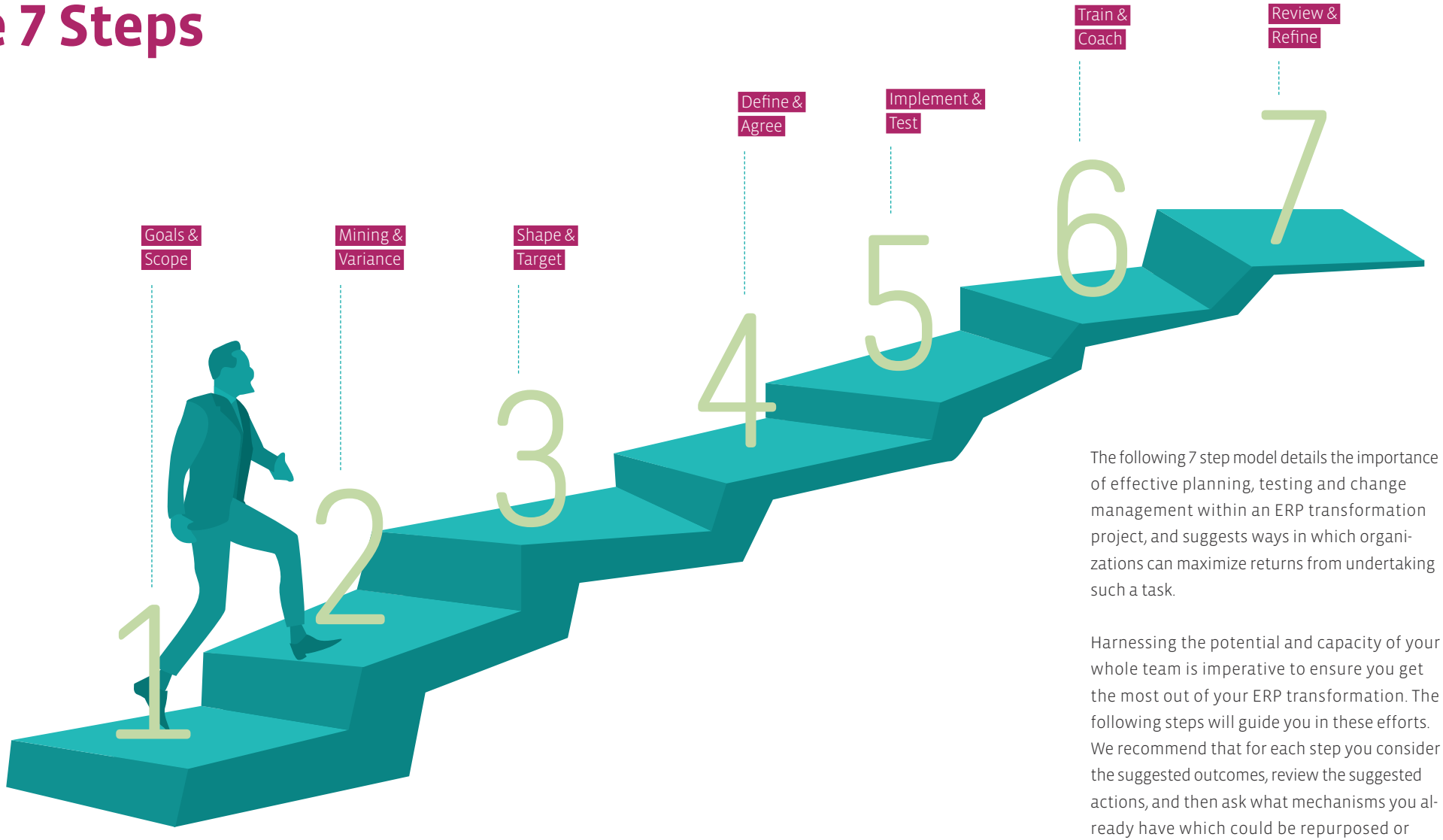
Mergers, acquisitions and disparate software systems can cause your business intelligence to suffer. Consolidating everything into one system, while a huge company-wide undertaking, can prove to be very lucrative by dramatically reducing costs and increasing profitability.

Executive **Summary**

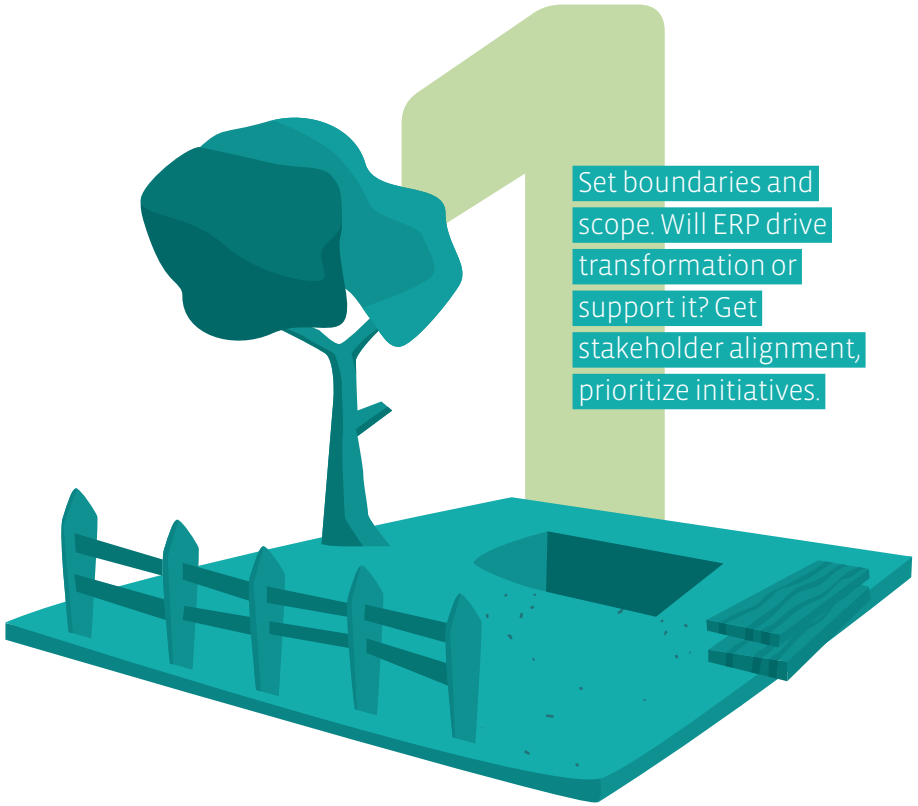
Enterprise Resource Planning (ERP) transformation is a lucrative, yet undoubtedly risky endeavour, with a diverse set of driving factors. It could be that your current ERP system doesn't align with what you want to achieve. It could be that the various departments of your organization are running on multiple and disparate software systems, which may all provide value in their own right, but which through their disparity, damage your business intelligence. There does exist however one common driving factor: the desire to dramatically improve efficiency and profitability. Despite the initial expense of ERP transformation, bringing in a company-wide standardized software solution that allows you to streamline your processes, reduce human error, and easily extrapolate data analysis will result in long-term cost benefits that provide a compelling motive for undertaking such a huge change. ERP transformations amount to large-scale change. They are not just an update, the addition of a new module or the implementation of extra features to a system that already exists. Transformation creates a company-wide disruption and ultimately quantum leaps in improvement. It is also crucial to have in mind that technology, as critical as it is, is by no account the sole ingredient in transformation. We should never underestimate the importance of change management in achieving ERP transformation success - the company-wide modifications that occur through ERP transformation reach across people, processes, customers, technology, data management, and risk management. All the software knowledge in the world won't make a successful implementation without these more important non-technical factors, which is why we have put together this 7 step guide to help you plan your ERP transformation.

Introducing **the 7 Steps**



The following 7 step model details the importance of effective planning, testing and change management within an ERP transformation project, and suggests ways in which organizations can maximize returns from undertaking such a task.

Harnessing the potential and capacity of your whole team is imperative to ensure you get the most out of your ERP transformation. The following steps will guide you in these efforts. We recommend that for each step you consider the suggested outcomes, review the suggested actions, and then ask what mechanisms you already have which could be repurposed or reinvigorated to achieve those outcomes.



Goals & Scope

Defining the goals and scope of your ERP transformation project is the first thing that should happen in the planning cycle, arguably even before an ERP system integrator or consultant gets involved. In this initial step, the aim is to map out exactly what it is that you want to get out of your ERP transformation. Scope out the rough project details, define your budget and time frame, and plan what it is you are hoping to achieve. Once these foundational aspects have been defined internally, the next part of the planning cycle is getting an ERP consultant on board to help define and scope the higher level aspects of the transformation and to prioritize initiatives. This is the stage where you define what core processes will be affected and in what ways you envisage them to be optimized by the system change. It is also at this point that you should define what modules you need to consider, making strategic decisions on organizational matters. For example, if you have aspects of your organization operating through a shared service or if you want to offshore certain initiatives, these crucial decisions need to be made before you move to the next step. At the end of this initial planning cycle you should have defined what it is you wish to transform, what current processes and solutions will be affected, and appointed an ERP system integrator to lead the project. It is also important to set a concrete scope, an overall plan going forward for the following years which indicates your intentions and expectations from this transformation effort. However most important of all is the non-technical people aspect, stakeholder alignment and strategic project management, ensuring you have buy-in from your team and that the main stakeholders across regions and departments are aware of, and support, your transformation goals.

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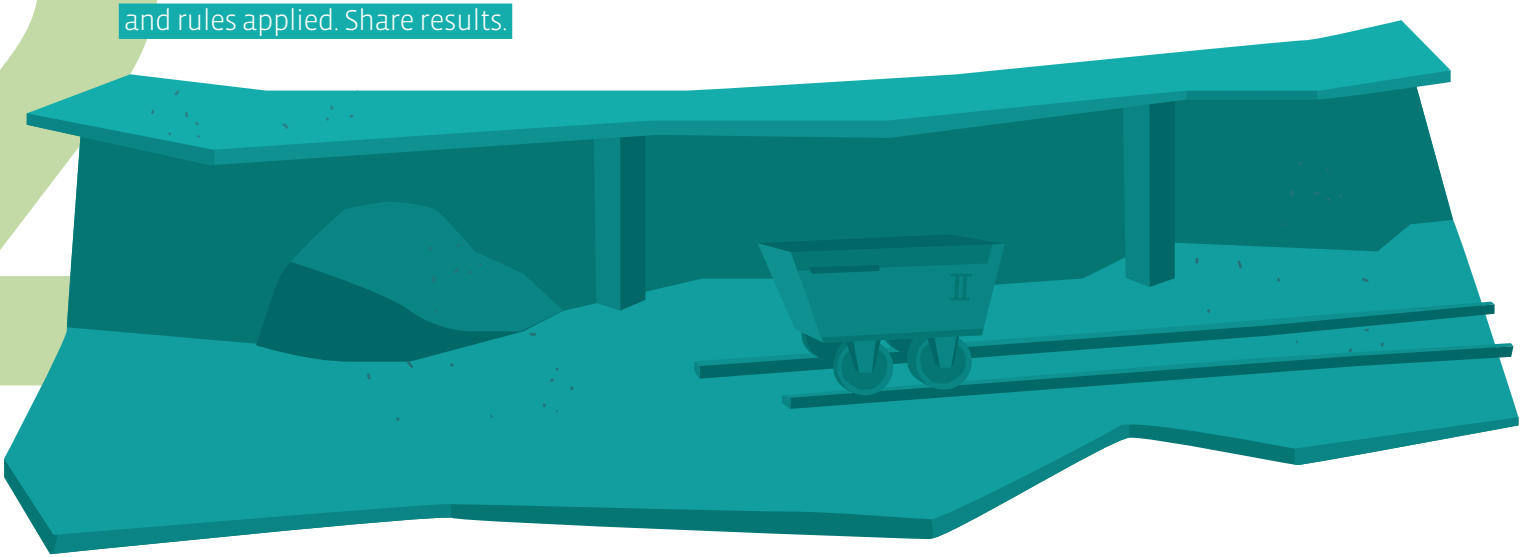
Mine existing systems, identify variance, uncover “ hidden scenarios” then query decisions and rules applied. Share results.



Mining & Variance

With a Process Mining tool you can now base the transformative changes you intend to carry out on solid, factual data through in-depth process analysis. Often, organizations who are not using a process mining tool may choose to collect the data they require to justify their plans through surveys, site visits and collecting verbal and possibly anecdotal wisdom from their team. Although this is certainly useful information, it holds a potential for human error and factual weakness. In contrast, mining system processes provides you with lucrative data already existing in your current systems, on which you can confidently base your project plan. In this step you can identify the root causes of poorly performing processes, detect and visualize compliance violations, and monitor process performance while acting on critical cases and performance bottlenecks. By identifying the variances in the desired state which you defined in Step 1 and the existing state which you uncover through process mining in this step, you can uncover hidden scenarios, query decisions and rules applied, and further define your project plans. This is particularly important in the case of organizational mergers as part of a larger ERP initiative. Process mining allows you to mine the systems of both companies and build standardized processes based on real data, in a way that works for both organizations.

Get early feedback & problem buy-in, create target models, and compare "as-implemented" with "as-intended" models.

Shape & Target

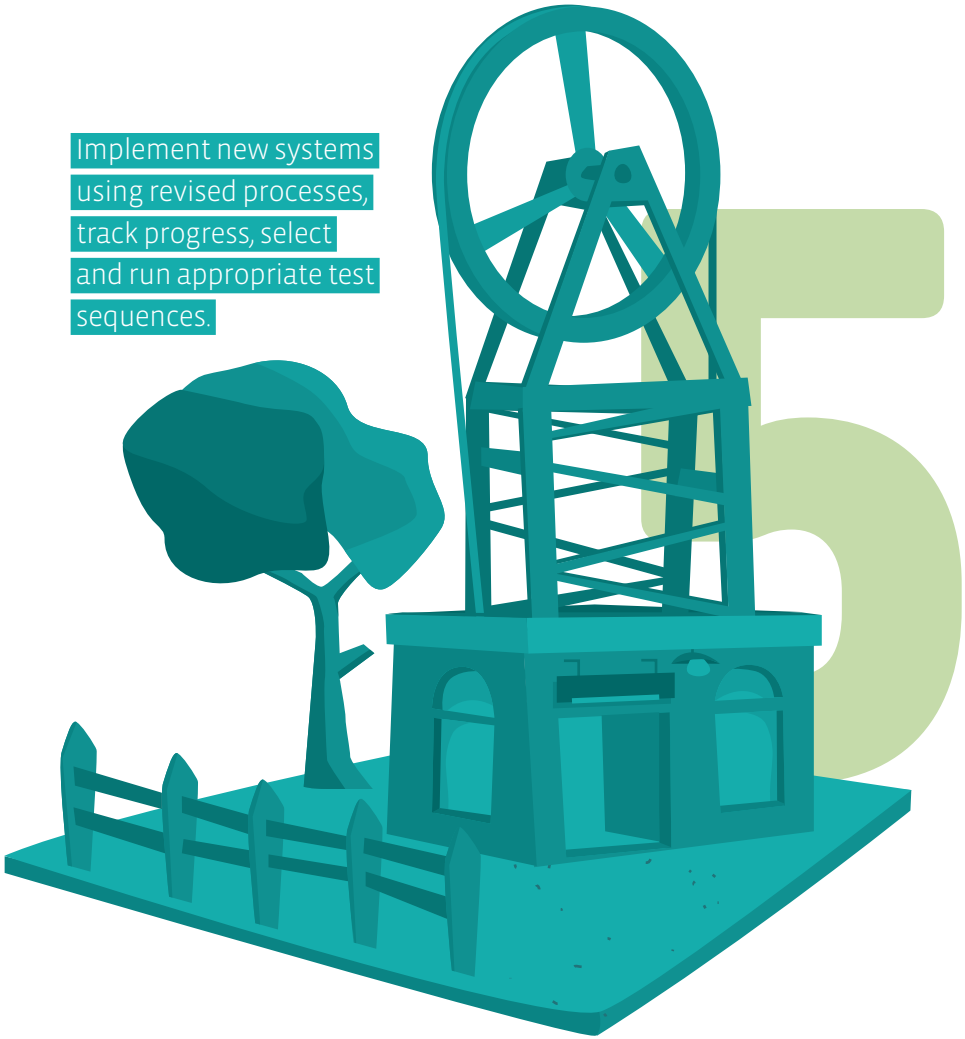
This is the step in which you want to get initial feedback on the plans you laid out in the first two steps. This should involve inviting important stakeholders from different company locations and various process areas and bringing them together in one location to run a blueprint workshop. This is a roughly 3-4 month effort in which functional experts, procurement managers and core process owners get together with your ERP consultant and head of supply chain and define exactly how the processes they have a stake in are going to work in future. The purpose of this step is to combine an understanding of what the current sequence of activity in those processes is or should be, with the software knowledge of the consultants. In order to ensure that processes function properly in the new system, this is where decisions about process changes or feature customizations need to be made. These decisions are then passed to the consultant who can configure the system accordingly, for example by enhancing the given system through customized reporting or interfaces to other systems.

Define & Agree

Once the initial planning has been scoped out at both the lower and the higher levels and system customizations have been agreed on, it is time to generate test scenarios and cases and gain commitment for the proposed solutions. This is a big milestone at the end of blueprint phase. The project team should report back to stakeholders and the people affected, and get their definitive buy-in and support. With a software tool that allows for visibility and collaboration across departmental boundaries this step will be much easier. Once you have everyone singing from the same hymn sheet you can generate your test scenarios in preparation for Step 5. These scenarios should sufficiently test the robustness of the structures and plans you defined in previous stages and in doing so, will safeguard the ultimate stability of this quantum change in your organization.

Define new processes, generate test scenarios and cases, gain commitment for proposed solutions.

Implement new systems using revised processes, track progress, select and run appropriate test sequences.



Implement & Test

In this step, your transformation team take the information they have collected and start implementing the system and working on its configuration. This requires that you build the interfaces you need to other systems and create your process and decision models and workflows. You must also set up user accounts and ensure that everyone is ready to use the system. This is also when the testing phase begins. Ensure you run an appropriate sequence of tests, testing individual units to find out if they are operating as you intended and also running integration tests to see how well the system integrations you had planned actually operate in practice. End-to-end process testing will allow you to uncover any discrepancies or issues you are unhappy with that can then be fixed and adjusted at an early stage to mitigate larger issues down the line. The next crucial test is a user acceptance test. Bring in people from your organization who might be based at various sites – who will eventually be using the system – and have them test it, adjusting accordingly if there are any issues. This is not just a testing activity but also a way to engage with people out in the field who will eventually have to use the system.

Train & Coach

Train and coach end users in the new systems, the underlying processes they support, and the context for change.

This is arguably one of the most important steps! Training your end users well in the new system is what will ensure buy-in and solidify your project. The training sessions should be rolled out in large deployments, harnessing the wisdom of those you've been working with most closely throughout the previous steps, and using these people as trainers or as people who inform your training staff. This is where change management plays a hugely important role. People need to know not only what the new system does and what the new processes are, they also need to be aware of why things are changing, of their role within the change, and of the support available to them. It also important to take localization into account, as despite having defined a general target state there will be variation at different sites. For example, if you are deploying to 200 warehouses around the world, there will be specific requirements at different locations. There might be the need for a unique interface to a system at one site but not at another. It is important to test, adjust, and refine across the board and in line with end-user requirements as part of change management deployment efforts.

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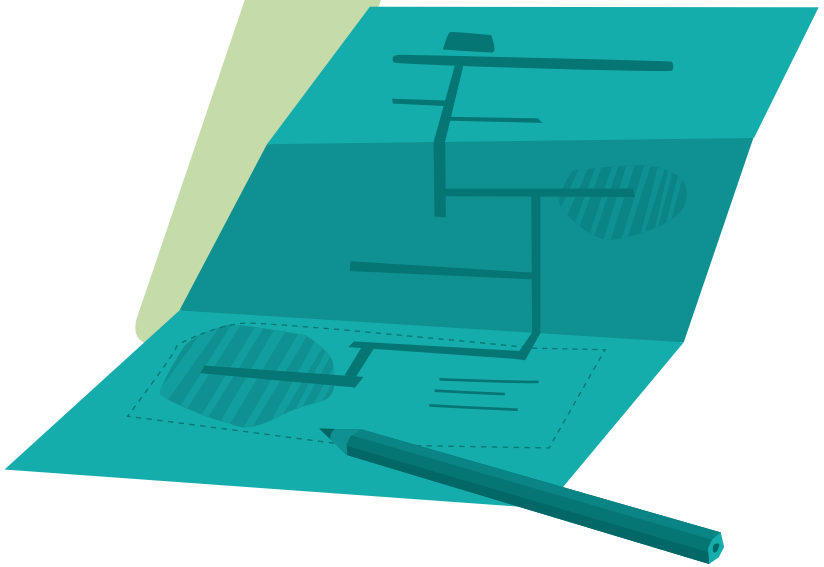
Review actual vs expected results and refine systems where needed or revise training if appropriate.



Review & Refine

This is the step at which you go live and review the project. Your team is off and running with the new system and the new processes and the lion's share of the effort has been seen through. What you may not have foreseen, but something that is important to be aware of, is that such a big transformation is often followed by an initial dip in performance. People are not as productive at the beginning of the switch due to the fact they need a little bit of time to get used to the change - they have questions, they may struggle with things that possibly weren't elaborated well enough in the training phase, and there may also still be bugs and issues with the system itself. Of course you want to recover as quickly as possible and that is where the ongoing review system comes in. This is an important part of the change management element of the transformation in which you build up strong communication channels, so if something isn't working well or in the way you had intended it to, it is communicated and you can take corrective action. This also affects your organizational KPIs and process performance. By running Process Intelligence on the new system, you continuously monitor whether or not processes really work the way you'd designed them to, so you can make adjustments.

Conclusion

Merging ERP systems, promoting best practice across ERP systems, and consolidating other IT systems into your ERP, are all ways to create a more efficient ERP system. Combining this exercise with a broader business transformation initiative is a sure way to also increase your organization's effectiveness.

This 7 step guide is not intended to be either definitive or prescriptive. Instead, the information included should act as a thinking framework to guide you along your chosen path. Combining the information in this 7 step model with our other 7 Step Guides on Business Transformation, Operational Excellence, or Risk and Compliance, you can take heart that the steps you take along the path to ERP transformation are sure and confident.

If you want to learn more about how Signavio can assist you with ERP transformation, sign up for one of our free webinars or come meet us at a Lunch and Learn event in a city near you. Or, if you're ready, take our products for a test drive with a free personalized demo.

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