Management Information System
Prof. Surojit Mukherjee
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Week - 03
ERP
Lecture – 14
**Change Management and Conclusion**

Hello everybody, in this session of ERP lecture we will discuss Change Management and we will do little bit of the conclusion part on ERP that we were talking about. I was discussing in the previous session also change management. It is a big thing because everything goes for a change. Major changes happen when we do an ERP implementation, because it is a major restructuring program. The business processes get change, the whole organization gets transformed.

So, it is a transformational exercise not just implementing a software. It is a special software because the entire business works across all functions on this single software. So, that is why this is not like any other simple software which you implement may be a sales related software, HR related software, or a payroll related software or a finance related software or your stores purchase related software. Those were individual software's and they had impact primarily on that individual function or for a few limited functions.

But this is one software your implementing which is impacting every process of your organization. So, it is a major transformation which is happening across the organization and all kinds of employees starting from even the security watchman for example, he has to do an SAP transaction because when he does a goods receipt he is doing a very important transaction.

When a material comes in a truck supplied by a vendor he is the first person who sees the delivery challan and then he puts in all those critical numbers like the quantity, name of the material and vendor and it has to be accurate. It is online real times and he cannot do a mistake. I mean he cannot say talk on his phone and do these transactions casually and instead of 50 he writes 70. As this works real time thing and this mistake is impacting the entire company's valuation. Instead of 50 pieces, he types 70 pieces. So, this is an important role which is being played by a security person and he may not be computer

educated enough or he may not be a graduate for example. Every type of people will be handling this software. With SAP software implementation, the change management thing comes in a big way.
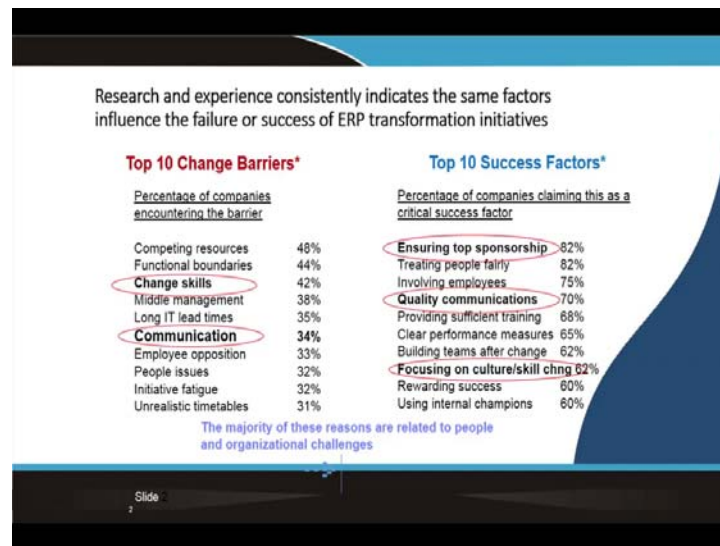

So, research and experience consistently indicate the same factors influence the failures or success of ERP transformation initiatives. So, there are change barriers and there are success factors and you know you can rank them by percentage of companies encountering the barriers. So, this data is from lot of ERP programs which have actually failed. There are many failure stories because of all these problems and difficulties.

And that is why we are discussing this in this course because it is such an important aspect of a business enterprise environment. So, change skills; if you see it is 42 percent here, communication 34 percent. So these are some of the major elements which I have highlighted. To make project a success these two factors, including Communication, plays a major role.

As a project manager you will have to talk to everybody, make them aware what is happening, give them knowledge, share things; so that everybody is aware of what is required etcetera. Whenever a person is working he should not waste time looking for knowledge or information and these should be available to him easily. Communication plays a key role for this.

So, I do not have to waste time. Things are available and I know where to go and search and I will get it; so time is of essence here. There are various other issues also we can discuss one by one but it will take time. But these are the two major things, namely, change management skills and communication skills are what is we will be discussing in this session.

If you see the success factors - ensuring top management sponsorship; quality of communication and focusing on cultural skill and change management is 62 percent here and is pretty high. Top management sponsorship of course, is highest at 82 percent. So, majority of the reasons are related to people and you can see that ultimately it is coming down to people related dimension. So, people is a very important element of the success of these programs.
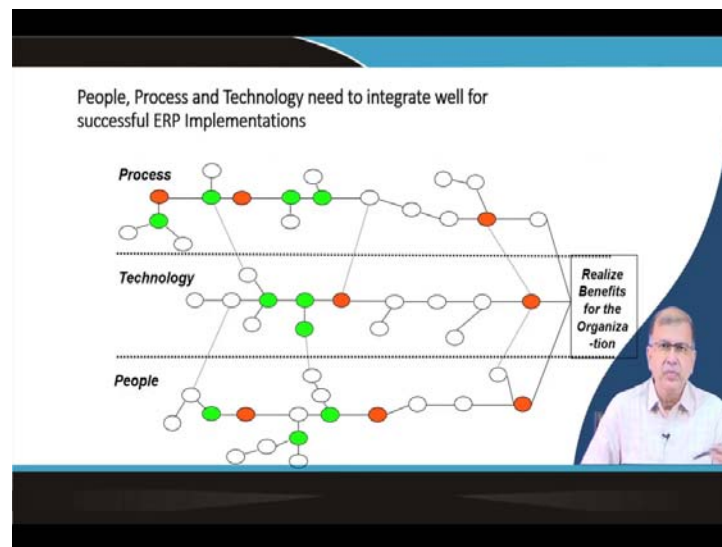

And people means, for the change management process, sometimes working with people is very difficult. You can change the business process, you can change a machine, you can change a technology, no problem. Just question of money, but when you are trying to change a person's way of working it is not money, and it can be very difficult to convince him. And he has to get convinced as to why he has to do the new process etcetera.

People, Process and Technology need to integrate well for successful ERP implementation. You need of course, the technology which is the backbone and you need the Process, and then finally, People. And unless these three gel together you won't

realize the benefits for the organization. Your ultimate target or goal of doing this investment on ERP software is for the organization to get some benefit.

After all the organization has to remain competitive and stand in the market. It has to make profits then only it will become successful and you can hire more people and invest and grow the business etcetera. Now to achieve this we need the Process-Technology-People integration. This has been shown diagrammatically through integration networks.
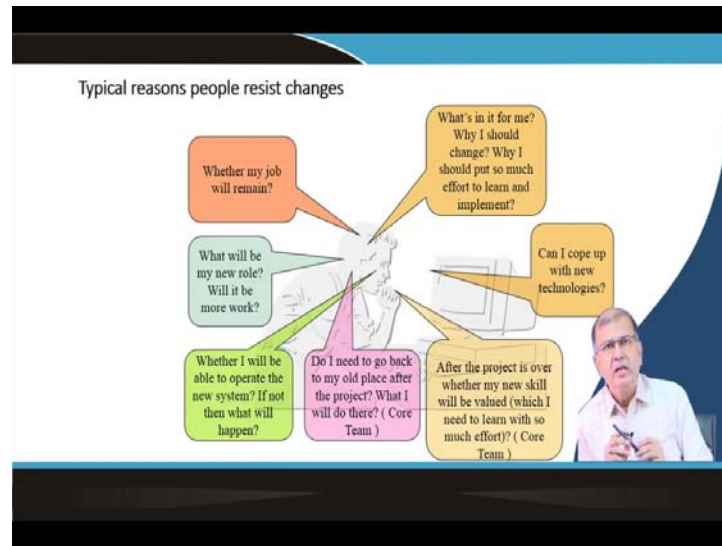
The, typical reasons people resist change is very important for you to understand. What are the major factors which people you know consider when there is a change? First one is whether my job will remain? So, when any change / modernization happens, that is the first fear which comes into the employee's mind. Whether there will be you know retrenchment of people. With modernization and new technology, you will probably need less people to do the same work.

But you can think it in other way and we can explain them that we can have the same people and expect that the they will be doing more work. So, instead of same work done by lesser people it could be the same people doing larger amount of work. So, which is good for the company, if the company wants to grow? So, I need the same people not add more people, but with the same people I can grow my business to make it double for example, because I am investing in technology software.

I will not spend more money on people, but by then business needs grow. So, that is the answer, but this concern is what people have. What is in it for me? Why I should change? Why I should put so much effort to learn and help implement new technology?

These are some common troubling points what individuals think about and you have to as a manager, explain to them. What do you mean by – "what is in it for me"? It is a development the company needs to remain competitive and survive in the market. You need it and you will grow. You will understand new things and you will learn more.

See everybody wants to learn new thing or do you want to do the same work year after year. Is it not very boring and dull? You are doing the same transaction year after year, but now you are going to learn a new software. This software, which is very advanced and well known all over the world. And you will be part of this program and you should feel proud.

Can I cope up with new technology? Can I learn the software? Learn means; how to use it you will learn you do not need to learn how to program it, but basically how to use it. So, that is what the questions come and that is the answers what you need to give. After the project is over; whether my new skill will be valued which I learned with so much effort. This is typically the concern of the project team members. The people who implemented the project (project team) were taken out from you're their regular role from each department and put them in this project implementation full time. Because you need full time support they will work with a consultant for that period of 1 year or so to implement and then train the people. Now these people will think that after that 1 year is over and project is implemented then what happens. Can I go back to my department? Because when I was not there during this 1 year the department was running. So, they could manage, either they got a replacement or the same team could manage. So, where is my role and where do I go back to?
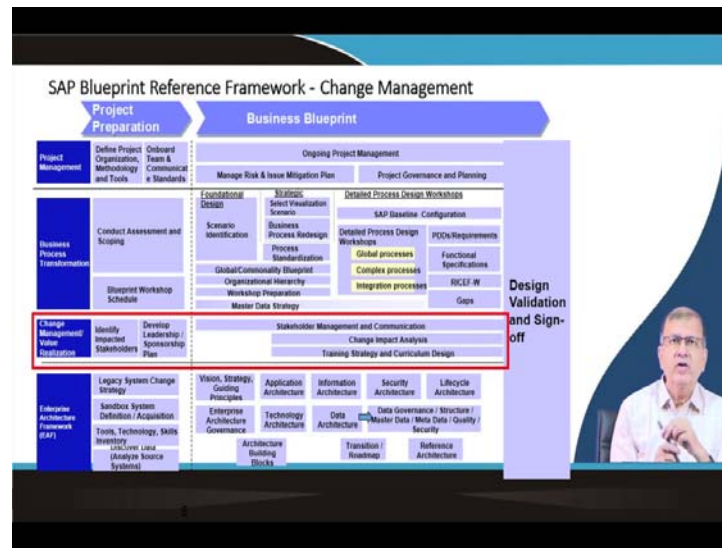
Blue print reference framework change management - this is a slide I do not want to explain in details but this just shows how complex project management stuff which goes on. There are lot of activities which are happening in the blue print phase which we have discussed earlier.
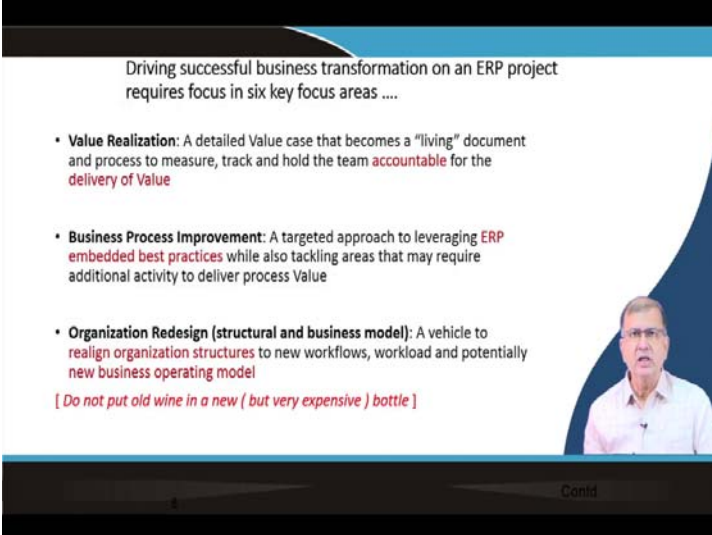
So, many activities happen which you do not need to really go through in details , but you can just go through it and see the many activities which needs to be done. Now, if you see that one which is blocked in red; the red rectangle here this shows the change management value realization track. The change management value realization if you see in the blueprint it is talking about stakeholder management and communication, change impact analysis, training strategy and curriculum design.

So, what it means is that you have to talk to your stakeholders and find out what are the various change impact and you have to do an analysis. Because of this program so many things will change, so what will be the likely impacts. So, once you have done that analysis then you have to design a training strategy and curriculum to ensure that the employees will be able to manage the impacts.

So, you need to now train because the solution to change management issues, explain to people, make them knowledgeable and accept the change brought by the new technology etcetera is to be done through training. Solution is communication and training. You have to keep communicating giving them information throughout the duration of the

project. At the same time, training is required because they have to actually work with the new software. Training is very important as only training can help people overcome their fear of the new technology and accept the change.

So, training is the major part for change management. So, here during the project preparation phase for example, you talk about "identify impacted stakeholders". So, you have to identify which are the people roles which are getting majorly impacted. And then you have to develop a plan for these people who are getting impacted. Whether we can give them new role? Retrain them in some other activities etcetera or transfer them to some other department. So, these are all part of the change management and value realization domain which is across the horizontal domain shown in the slide. This is apart from business process transformation, enterprise architecture, framework etcetera. These are all part of the overall project plan. But we will not discuss all these as today's discussion here is restricted to change management.

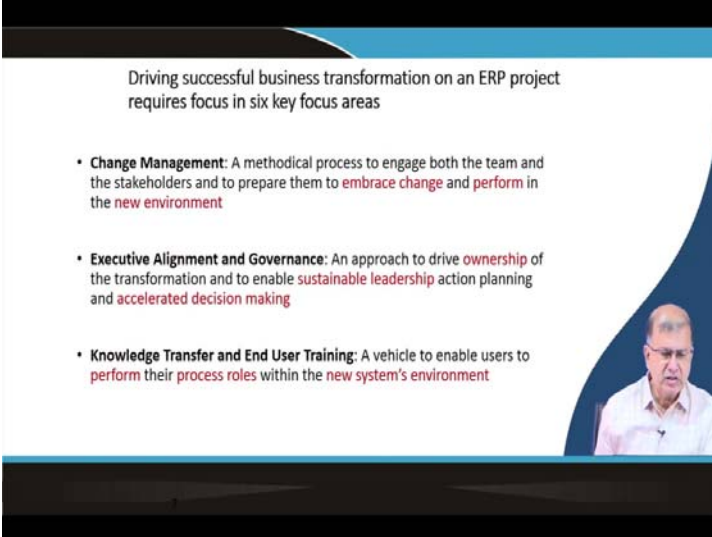So, driving successful business transformation ERP project requires focus on six key focus areas. There are six focus areas which you need to know that the success of a business transformation value realization depends on. A detailed value case that becomes a living document and process to measure track and hold the team accountable for the delivery of value. Because you have to tell the customer about this value during your sales effort. Customer has to be told that if they invest so much money this is the value they will get. This is the return on investment and these are the benefits for the organization etcetera.

Business process improvement; - It is a targeted approach to leverage ERP embedded best practices and we have already discussed this many times. So, all the best practice will come to you automatically if you implement SAP.

Organization redesign structure and business model - The organization is redesigned as, we want to get a new company structure. If you are keep your existing processes intact and do not want to change then it would be like retaining old wine in a new bottle (as the saying goes), but only that now you have an expensive bottle because doing this SAP project costs lot of money.


Change management we have discussed.

Executive alignment and governance; - Very important because everybody needs to be aligned and the ownership has to be defined as to who will be owning the whole program etcetera of the transformation exercise. This is very important to enable sustainable leadership action planning and accelerated decision making which is very vital for the project to be completed in time. Decision making has to be accelerated because if it slows down, for example -the marketing manager has to take a decision but he is traveling and he is not available etcetera. The overall things get delayed because since everything is integrated even if one area/function is delaying things everybody gets delayed.

Knowledge transfer and end user training - I am repeatedly saying that it is very important, for people to successfully work in this environment, that there is a proper knowledge transfer through training of the end users.
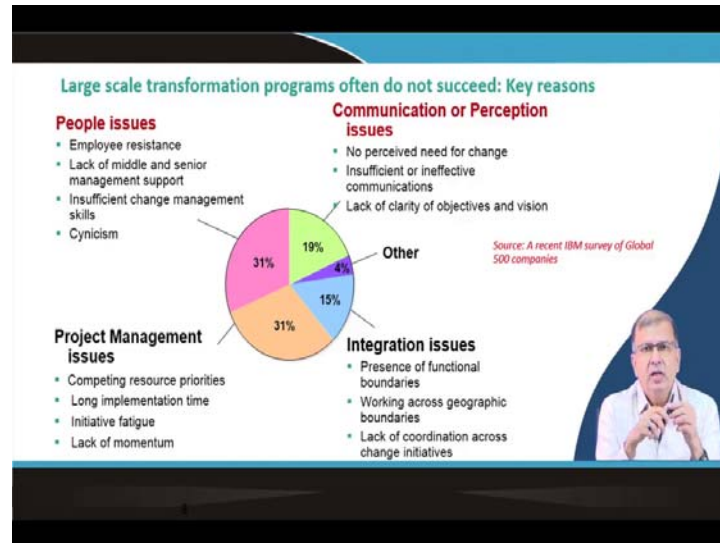
Large scale transformation programs often do not succeed; - What are the major reasons of failure? Why do some time such expensive programs fail? You need to know this so that you are aware of these potential pitfalls and the mistakes which you need to avoid as a project manager.

These are of four categories;

People issues: - Employee resistance, Lack of middle and senior management support, Insufficient change management skills, Cynicism; where people are cynical and doubtful whether this will work. The consultants talk big things as they are selling the product, but whether it can really deliver etcetera. The other reasons have been discussed many times and so, I do not want to repeat for the sake of time.

Project management issues; - Competing resource priorities as I said earlier that if there are multiple programs running in their organization. So, that same people will be working for some time on ERP project and sometimes they are busy on some other quality program or may be a TQM project is going on. Every department have a few good and knowledgeable persons and everybody wants to have them for their projects.

The same resources will get pulled in various directions. Long implementation time is another problem for having key resources released for project management. Initiative fatigue - sometimes you get a fatigue if you have to do this for a long time and it drags. When too many initiatives take place simultaneously, then something called an initiative fatigue happens amongst these resources.

Management should be cautious that they should do only one major program at a time. Multiple small programs in parallel are fine, but complex program should be limited. Lack of momentum; - Is important and should be kept under control as otherwise the project there will have lack and it may get delayed which is very risky.

Communication or perception issues; - If employees perceive no need for change that is people do not see the value and ask as to why should we change, what good will happen?

Value has to be shown that is again done through communication. If we do this project these are the benefits you are likely to get. So, that has to be communicated because otherwise people will not realize and they will not understand. Insufficient or ineffective communication and lack of clarity of objectives and visions.

These communications related issues are very important and Communication is a very important skill requirement, I would say for a project manager. So, he actually spends almost 90 percent of his time in communicating and communicating. He has to communicate to various people; to his team member, to the project team members of the client, to the business leadership, all the CEO, CFOs, to his other stakeholders as they are looking forward to getting information all the time. What is happening on that project, so much money is going to the vendors, to the suppliers are things people want to know. Senior leadership in his company, his bosses everyone need to know about the progress. You might have to interact with the government agencies, the legal team, commercial team, the purchase team, who are placing the purchase orders etcetera. So, you will see here you will be really 90 percent of the time engaged in communication. Communicating with various stakeholders.

So, that is one major skill both written and spoken communication for ERP project managers, for that matter for any project manager

Integration issues; - integration issue in presence of functional boundaries where integrating software cuts across functional departments. So, if you have build walls or some people try to forcibly build a wall, then that is a problem and that is one of the major causes of failures. Many departments refuse to divulge information for example, and they do not want to give data because they are afraid that if I give my data, my data will be known to everybody I will get exposed. And then maybe we have done something wrong earlier and we had kept it suppressed. This wrong will now get exposed. So, those things will come out then I will be penalized etcetera. So, these functional boundaries need to be broken otherwise the project will not move.

Working across geographic boundaries; - Sometimes multinational companies are working across multiple countries like say Coco-Cola has got business all over the world. So, it is Coco-Cola India, Coco-Cola China, Coco-Cola France, Coco-Cola Europe, Coco-Cola Germany etcetera, and they have to share information because they are implementing the same software project across all the countries. Any lack of coordination across change initiatives will creates problem for the project. So, again it is a coordination issue, because there are multiple changes initiatives happening. So, things have to be coordinated if they do not, then that will impact the project.

So, over all these are the things which you need to keep in mind and these are the potential dangers. Not that they happen always depending on the organization, depending on the culture, and depending on the top management, especially the CEO.

What sort of message has been given by the CEO is very important? He should communicate the importance of the project for the survival of the organization. For example, he communicates in that manner that – "today in this competitive world we have to implement this project otherwise we will not be able to survive. The company might have to be closed down, we might go out of business." And these are very stark reality in today's world and the message must go down across the organization to each and every employee.

So, when such sort of communication comes from the CEO, then employees give it a very different perspective. They realize that there must be some serious problem there which we do not understand. Of course, everybody cannot understand all these complicated business issues and market dynamics etcetera. The economic situation of the

country, economic situation of the world, inflation, competition from China or whatever there are so many things which can kill a business.

We need to become more efficient, we need to become more productive, we need to become more smart, we need to be more transparent, we need to be integrated. So, many things are required because information flow has to be very smooth and fast and across the board and things need to move very fast. So, then people also think yes fine, then we will have to participate. Then your level of participation and the quality of participation will drastically improve and that is what you need to make such complex projects get implemented successfully.

So, for each of these items you should go through and they may not seem very obvious, but actually these are very serious issues. Take, employee resistances for example, it is a very serious issue and difficult to solve, cynicism, competing resource priorities etcetera, are all quite difficult issues to resolve.
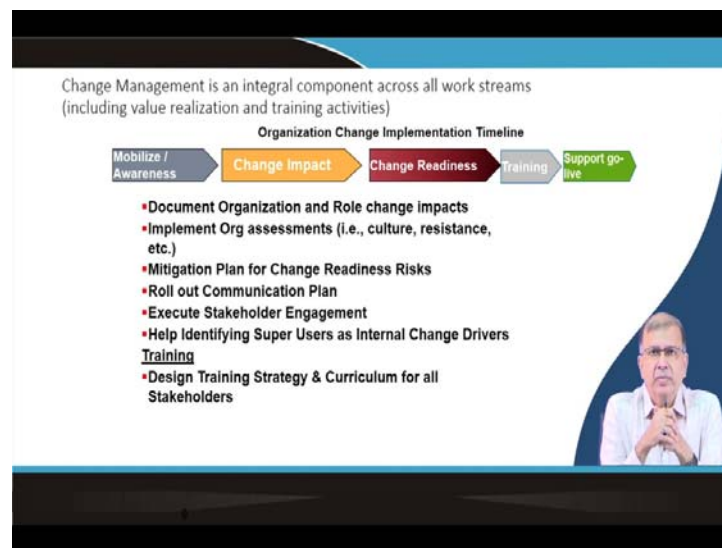
Change management is an integral component. So, we are coming back to change management because again everything has to be handled through change management. So, if you see on top we have put the organizational timeline for change management implementation. It starts with "Mobilize and Awareness" followed by the "Change Impact", then "Change Readiness and of course, "Training". That is where you try to solve the change management issue and then lastly, "Support and Go-Live". So, after go live also we have to give lot of support.

Now what are the elements there? Document organization and role change impacts; - so you have to document that. What is the organization and role changes? What are the changes going to happen? People need to know so after these, these will be changing. The organizational structure will change, management roles will change, my role will change so these are the new roles which he will be able to map with the existing roles. So, this is currently my role and this will be my new role.

Implement organization assessments: - You can do an organizational assessment, culture, resistance etcetera. And then explain it to your people like; this is your organization culture, this is the organization resistance, etcetera. We have come from outside as your consultant and we have experience of doing such assessments in various organization.

So, they will listen to you because they know that you are coming with more knowledge than they have and you have also knowledge of multiple other clients and customers. And your organization (consultant) has lot of information about other even global clients and customers. So, you are bringing in lot of global or international experience and sharing it with them.

Mitigation plan for change readiness risk: - What is the change readiness, what are the risks involved? Then when we have this change as I said everything is a risk and for every risk you need to have a mitigation plan. Say, if this happens that people are not ready for change what is my mitigation plan? How do I handle the situation? Then roll out the communication plan, that this is the way we are going to communicate with you.

So, we will may be sending you a weekly newsletter for example, say every week you will get a newsletter in your desktop or in your mailbox which will tell you what has been the progress so far. And what are the new things which are likely to happen in the following week. So, getting a communication is very important for the employees.

You have to set them a plan. This is how we are going to communicate. May be for any important announcements we will immediately send a mail to everybody. So, people will know that yes we will be getting information.

So, we (employees and management) will not be kept in the dark. So, that is another fear when such software projects are implemented. When you do a physical project like building a house or making a bridge or installing machines; you can physically see things

are happening; that shop floor is ready, the electrical connections have been made, the machine has come, civil foundation work is going on the electrical connections are made etcetera. But in a software projects what happens? You do not see anything because everything is happening in a computer and a server and physically you do not see anything. So, unless you are told or communicated, you do not see any progress and that is the problem. So, that is what you need to realize as a project manager is that this is a serious problem. That is why communication is so important because nobody is seeing any development or progress taking place.

If I am building a building I can see the building is coming up - ground floor, first floor, second floor, the doors are getting fixed, it is getting painted etcetera. But here what do you see? You do not see anything and you just see some people they are looking at the screen and doing something. But what is happening inside the computer you do not know.

Execute stakeholder engagement; - Executing stakeholder engagement is what you need to do, because as a project manager, you have got many stakeholders - from the company senior leadership, your team members, your vendors, your project team members, your end users, they are all your stakeholders and everybody is looking towards you. So, you have to execute that stakeholder engagement part.

How you want to engage each of those elements in your program. You have to tell them about their role and importance in the project. You will need to invite them for discussions and meeting and involve them in decision making. For example, we will give you a presentation and you have to give your decision by this time. So, everything is fixed time wise and there is a project plan. He cannot say, "yes I have seen it, but I will come back may be one week or two weeks later". Your response will have to be, "sorry we do not have time because unless you give the decision my entire team gets stuck and they will not be able to do anything without your decision and we cannot move any further." This is the type on interactions you can have as project manager with some of your key stakeholders and you will have to take hard decisions otherwise you will not be able to keep the project on track.

Help identifying super users as internal change drivers. So, this is another important thing from within the organization you identify people who are you know smart people

the good ones who have knowledge. And they can be trained in SAP etcetera easily they will pick up the things and they can then become your ambassadors for future the internal change drivers. So, they will then learn from you learn the SAP what is happening about the project and then they will go back to the department and talk to people.

And the employees will accept more something from their own collogue rather than something from an outsider (the consultants). They may not trust the consultant because the consultant maybe telling lot of big things. But when your own colleague says no I went there I studied that I saw that and I read something and they gave me lot of information I am convinced yes that this will happen etcetera. This will be more acceptable to the employees.

So, it is very important to have such band of you know internal change drivers. We also called them "Super Users" because they are more knowledgeable than a regular user. So, that is why we call them super user, but you can also call them as internal change drivers or change agents. So, they actually go and finally, do that real change part i.e. give training.

Design training strategy and curriculum for all stakeholders: - I have talked earlier also. So, it is when I mean that is one of the thing which you do in practices for change management and the most important thing you do is actually deliver the training. Because without training without knowledge the change will not happen. This training is applicable for all and right from the CEO , down to the Security officer at the gate will need to undergo training. The training content, of course, will vary from role to role.
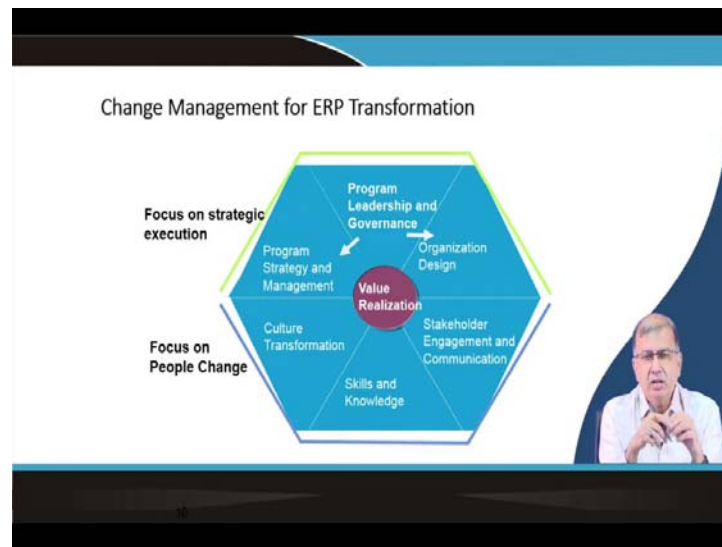
So, change management for ERP transformation to summarize there are two things; focus on strategic execution and focus on the people part. So, what is the strategic part and what is the people dimension. Strategic part involves program strategy management, program leadership and governance and organization design. So, at the center core is value realization because end of the day you want to you know the company needs to get some value out of it through all these changes.

So, at the strategic level what is happening? There is a program strategy and management which has to be worked out. The program leadership and governance. So, the new Leadership and the Governance structure how they will manage once the project is over. So, that has to be designed properly.

So, these are the new leadership team because there might be some changes of role and this is what you mean by the governance plan this is how you want to administer. These are the levels you will have within the organization structure and everything will change from the old to the new. That is the organization design so you will design the organization structure fresh as many roles will change.

Now the people part which I have also mostly talking about earlier I mean earlier slides. You have a cultural transformation, and new skills and knowledge. So, they will need to be trained, what I was talking about earlier - training and communication. So, skills will change and they will have to acquire new knowledge.

Stakeholder engagement and communication. - I have also told about this earlier it is so important for communicating and engaging with them. Because they do not see anything physically, it is very important that you have to engage them, you have to often show them some demonstration.

So, we have some presentation session to show the new purchase order form will look like, how the new invoice generation system will work, how the MRP (material requirement planning) will be executed by the planning guy etcetera? This is how the senior stakeholders are engaged and kept informed about how the future design of the business processes would look and work.

So, show them demonstrate them see this is my proof of concept -POC; this is how it will work look like. And there also you can take feedback if they approve not approve or they want some change. So, give them the chance to react with you interact with you. So, that will increase the engagement part. See if I call some people here that planning department and show them on the screen this is how the MRP run is going to take place. And then the project team takes their feedback. This makes them feel engaged when they see that they are been given importance because they know the job best. Obviously, you (consultants) are the experts. The best outcome comes from the joint consultation amongst the project team and the stakeholders. Engagement comes through involvement and of course, communication. Because you are talking to them you are interacting with them they are seeing that they giving the feedback.

Involvement and communication are really very important to have them engaged. So, that is your job as a project manager to get that done. So, skills and knowledge and the cultural part of course, yes because there is a change. Any change means it is a cultural change for the organization - the way it was working and the way it will work in future are different. So, you need to have a cultural change.

Communicate to encourage commitment to change.- So, with time the change acceptance curve moves; we said it is initially Awareness, then it goes to Understanding, then Acceptance and finally is the Commitment. That is the final thing which you are targeting so all the employees finally need to show their commitment to the product new product and change.

It starts with awareness and information followed by understanding and that is when the engagement happens. After they get engaged then they accept, when they see the many future advantage new thing etcetera comes the acceptance. And then finally, of course, is the commitment when they finally accept the new system.

What is the stakeholder engagement? Definition - A strategic, intentional and systematic process to identifying and managing key stakeholders in order to build support and commitment to the change - this is the definition. But what I have explained is that you have to get them involved when you engage them.

So, involve them in everything. Bring them to over, talk to them over a cup of tea etcetera. Take their opinion; that is very important when you take their opinion respect their opinion and they see that their opinion has been accepted their idea has been accepted that is one of the best way and the easiest way to get people engaged.

So, who are your stakeholders?

There is a definition again - All individuals or groups of individuals, internal or external who will be impacted by the change. So, anybody getting impacted by this change or this new program project etcetera happening is a stakeholder. And who are the key stakeholders? Those stakeholders who have the ability to impact or influence the change the decision makers, so they are the key stakeholders.

The CFO; the CEO, the Chief of Production, heads of the business departments. They are the key stakeholders because of their ability to impact or influence the change and they can take decision. So, they can either help you or they can may be a barrier for the project.

Now you have to be very careful because if they put a block then your project will get impacted. So, you will not be able to move, I mean in time because the CFO for example is crucial as his sign off is required in every stage.
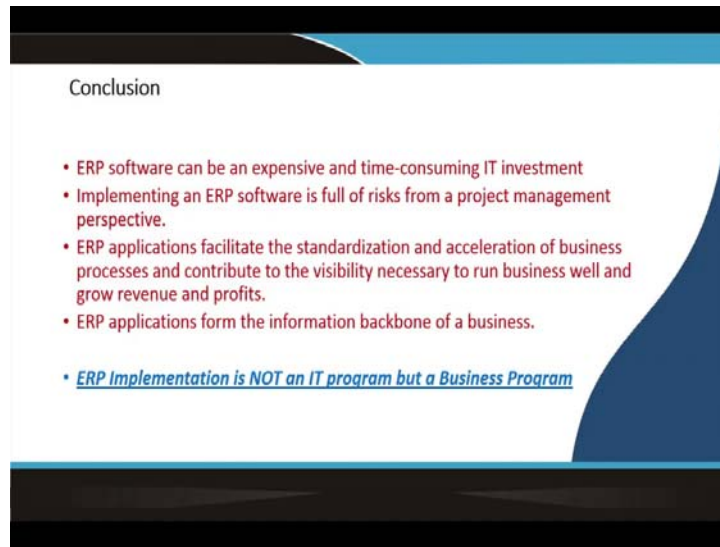
So, in conclusion, ERP software can be an expensive and time consuming IT investment. Implementing an ERP software is full of risks from a project management perspective. ERP applications facilitate the standardization and acceleration of business processes and contribute to the visibility necessary to run businesses well and grow revenue and profits. ERP applications form the information backbone of a business.

And finally, please note ERP implementation is not an IT program, but a business program because all the time I have been talking last so many minutes is business; business; business. I never talked IT- IT -IT.

But it is a transforming software, it transforms the business and hence the whole thing is looked from the business angle. And it has got such a major impact across all the functionalities that is why we refer to it as a business program and not a IT program. Think from the business angle always business not IT. Even if you are a IT person, you are IT manager does not matter, but think yourself to be a part of the overall business program. Go through the book and the reference books and you will learn more about ERP from the books.

Thank you.