Managing Change in ERP Projects
Ask the executive sponsor of an enterprise resource planning (ERP) project about the most important factors for success, and odds are good that change management will be among the first items mentioned. Most project sponsors, project managers, steering committee members, and staff members understand that change management is a crucial component of any large project, but especially so for technology-based initiatives such as ERP.

Change management can be described as the people side of a technology project. It’s widely understood that a planned approach to guiding staff through a business transformation is at least as important as technology deployment or process change itself. Communications, training, user engagement, and post-implementation support are often what separate a successful project from one that is on time and on budget, but fails to meet other business objectives.

Yet ERP project teams frequently miss the mark in implementing solid and effective change management programs. Their efforts are often too narrow, focusing on communications, or training, or process change, but failing to consider all three areas in tandem. Others strive for a broad approach but do not allocate sufficient time or resources to reach their goals. In many cases, user training is thought to be enough for good change management; however, this fails to address critical communication needs across the organization.

When further investigating change management issues, finance officers in the role of ERP project sponsor or steering committee member often discover several important issues:

- The resources available for change management (including communications and training) are insufficient to meet organizational needs.
- Staff appetite for change is greatly exaggerated.
- Expectations about the impact of change, especially anticipated time-frames for realizing cost savings, are virtually impossible to meet.

Attacking these issues early in a project can help mitigate risks that your change management program will fail to deliver on project objectives.
CHANGE MANAGEMENT RESOURCES

Here is a scenario that is all too familiar to ERP project sponsors. As limited hours are allocated to basic project activities such as design, validation, and testing, an upper boundary of available hours is quickly reached. At the initial planning stage, and then throughout the project, achieving milestones winds up requiring more staff time than originally thought. Where do those hours come from? Given that the project has a fixed budget, they must come from another task — and that task is often change management. Specifically, hours that were allocated to training (often woefully inadequate to begin with) are repurposed to those core functions, allowing the organization to achieve more visible project objectives.

The impact of that scenario is predictable and frustrating. Users are asked to assimilate new technology, new business processes, and sometimes even entirely new ways of thinking based on one or two short training sessions. Uninformed as to why the project is happening in the first place, or what the jurisdiction is hoping to achieve, users are wary of the impact of the project on their jobs. As the organization gets closer to going live with the new system, those same users become frustrated with the lack of adequate training. Unsurprisingly, the result is a high degree of resistance to change. Unmanaged, and with little or no follow up training, the new software or process does not produce efficiency gains or meet other project objectives.

Communications, training, user engagement, and post-implementation support are often what separate a successful project from one that is on time and on budget, but fails to meet other business objectives.

Unabashed enthusiasm for the project and a positive, can-do attitude, regardless of issues or concerns.

The ability to mitigate user resistance by constantly communicating the project’s benefits and demonstrating empathy for staff concerns.

The ability to develop a training plan, curriculum, materials, and schedule for training, and to manage project training logistics as well.

An understanding of user support needs and the ability to craft a support plan for after the project goes live.

Based on this list of requirements, it isn’t surprising that staffing the change manager role can be challenging for many organizations. Management and technology consulting firms are often willing to assist, but the price can be steep, and eventually, someone from inside the organization still has to take on the change manager role. All this means that sometimes the change manager role is staffed by someone who is ill-suited to it, and the change management effort is abandoned altogether or is completely outsourced. None of those solutions has proven to be particularly effective.

HANDLING RESOURCE ISSUES

The finance officer can address several areas to help mitigate the negative effects of resource issues related to change management.

Integrate Change Management into the Plan. Make sure the project manager recognizes that change management is an integral part of the project, and not something that can be added on afterward. Communication and training tasks should be woven into the project plan, not attached as a catch-all at the end. This will help remove the temptation to “borrow hours” in pursuit of other aspects of the project.

Recognize the Effort Required. In establishing goals and allocating resources, recognize that change management activities take time. Establishing a project website, gathering feedback, meeting with department heads, leading user group discussions, and other change management activities are inherently time consuming. Change management is
rarely effective for enterprise-wide projects without a full-time change manager. Similarly, by virtue of their exposure to software design and process change, all members of the ERP project team need to recognize that they too act as change agents for the organization.

**Identify a Resource, Even If It’s Not Ideal.** Change management is best led by someone inside the organization who understands the business drivers and goals of the project and will have to live with the results, along with all the other users. If you are having difficulty identifying a change manager or change management team, consider finding one or more staff members who exhibit the enthusiasm, degree of responsibility, and communication skills required. Then retain an outside consulting firm to build the initial change management strategy and plan, working with that person along the way. Over time, the consulting firm transfers crucial change management skills to that individual or team, and the responsibility for change management is gradually shifted to the internal change manager or change management team.

**Spread the Responsibility.** Ensure that all project team members understand that they are change agents, and they can play a role in mitigating resistance. From design meetings to validation and testing, documentation, and preparation of user training materials, project team members need to play an important role in change management.

**Build and Execute your Plan.** Two constructs in change management are especially important. First is the communication plan, which describes what messages will be taken to which audiences, by whom, and how often. This plan must also consider ways of gathering feedback from users as the implementation progresses. The second critical construct is the training plan. It is no exaggeration to suggest that you should take your initial estimate for user training hours, double that number, and then rebuild your training plan accordingly. Adult learning typically requires that a new skill be communicated several times, with additional non-classroom time for individual exploration of new processes, forms, software, etc. Few projects allocate enough dollars or hours to conduct such a training plan, yet that is often the difference between widespread acceptance and achievement of objectives versus widespread fear, resistance, and poor results.

Resource issues related to change management can be vexing, but addressing them early will make it far more likely that adequate resources will be available. It is ideal to have a detailed communication and training plan that is fully integrated with the design, configuration, testing, and deployment steps of the software itself.

**APPETITE FOR CHANGE**

During the software selection phase of an ERP project, staff members often indicate their willingness to change processes to match the best practices of the software. In fact, most organizations take a firm stand that regardless of the package chosen, customizations will be limited and business process changes will be enforced instead.

Yet, as soon as the first implementation consultants arrive for the first set of design meetings, project managers and sponsors often find that those same project team members and subject matter experts are suddenly avoiding change. Project objectives, efficiency gains, and other goals are passed over amid a desire to keep things functioning exactly
Efficiency and process change are in the same category as motherhood and apple pie — everyone is in favor. What happens after implementation begins is that process change appears at a personal level, and the project team members are not as prepared for that as initially hoped. During a needs assessment or software selection, process change is largely broad and generalized, and staff members have difficulty understanding the impact of that change on a day-to-day task basis. Once the configuration begins and process changes start to appear at a sufficiently detailed level, the project team has a much less intellectual and much more emotional response. Unless the project’s business drivers and goals are kept at the forefront of the project team’s work, that emotional response is often expressed as fear and resistance.

At this stage, the change manager or change management team needs to continually remind staff of the business drivers and objectives for the project, and that process change is necessary to achieving those objectives. Eventually, project team staff needs to internalize that message and overcome any fear, and the change manager needs to create an environment where that can occur. Again, it is accomplished by repeating business drivers and objectives, outlining benefits of new technology and new processes, and establishing consequences if process changes do not materialize. Given sufficient time and discussion, most staff members will internalize that message, and change can occur. It isn’t enough to explain once — adult learners need to hear it many times for it to have an effect.

Exhibit 1: The ERP Productivity Curve

MANAGING EXPECTATIONS

Projects are often sold to the organization based on a series of promised benefits such as faster transaction approvals, more and better access to data, elimination of duplicate data entry, integration of functions, and a single source of information. Additionally, efficiency and productivity gains should produce cost savings, or at least future cost avoidance, providing a hard dollar justification for the project. This is a promising scenario, and it has led many organizations to enthusiastically pursue an ERP project.

What many project sponsors and project managers fail to communicate, however, is that those benefits do not accrue the moment the new technology, software, tools, or processes are implemented. Staff members need time to acclimate themselves to the new way of doing things, resulting in what is known as a productivity curve (see Exhibit 1). Staff productivity actually tends to drop for some time after the project goes live and then recovers slowly before picking up steam some months later. Eventually, productivity begins to level out at some point higher than when the project started.

One of the goals of change management is to shorten the amount of time it takes to achieve productivity gains. One way to do that is to ensure that all stakeholders understand that the efficiencies and cost savings of ERP happen only after some months of working with the new system. It can take 18 months or more to reach that level if there’s no change management program in place, but effective change management can reduce that period to six months. (In fact, productivity gains at some organizations are the result of better technology and not process improvement at all.)

So as an ERP project sponsor, what can the finance officer do to confront unrealistic expectations? First and foremost, ensure that stakeholder communications are included in the change
management strategy. This often takes the form of a monthly department head meeting, where the finance officer as project sponsor has an opportunity to report status and set appropriate expectations. By working with the change manager on the content and delivery of such a message, the finance officer can help set reasonable expectations.

Of course, expectations need to be communicated to the project team as well. Team leaders and subject matter experts need to understand that organizations do expect the project to produce benefits, and that efficiency gains and cost savings are important goals. It can help to post a list of project goals on the project website, on the wall in the project team work space, or as part of a newsletter. Keeping those goals highly visible sends a clear message that the organization will not accept the status quo with new technology and is instead looking for demonstrable efficiencies and productivity gains.

CONCLUSIONS

Despite knowing just how critical change management is to an ERP project, many jurisdictions fail to staff the effort appropriately, overestimate their ability and capacity for change, and set unrealistic expectations. These roadblocks can be difficult to overcome, if the organization is striving for real transformation. By working with other sponsors and ERP project leaders, however, the finance officer can take a lead role in removing those roadblocks and paving the way for a successful implementation.

DAVE MELBYE is consulting solutions manager for the GFOA’s Research and Consulting Center in Chicago, Illinois. He can be reached at dmelbye@gfoa.org.