

# HOW TO SUCCESSFULLY IMPLEMENT A GLOBAL ERP TO ITS FULL POTENTIAL

## BEST PRACTICES AND TRENDS IN ERP IMPLEMENTATIONS



As Nordic industrial corporations expand their reach and global presence, alignment of processes and information flows becomes a key component in improving operational efficiency. In order to realize synergies from fragmented operations and system landscapes left as a result of acquisitions, many companies opt for a single ERP solution to harmonize and support their global operations. This newsletter examines the challenges of implementing an ERP system and presents our experience of the key success factors as well as future benefits enabled by a successful implementation.

### Introducing standardized processes

The introduction of streamlined processes requires global systems to support the new standardized way of working. Combined with the challenge of in-house legacy systems facing decommissioning and the expertise required to manage them becoming more and more scarce, companies often turn to a standard ERP system to form the foundation for the new global business processes. These processes are commonly found within functions such as finance, manufacturing and logistics. As seen in the figure, improving business performance is one of the main motivations but while

the benefits of a global ERP solution are considerable, it is a huge and complex undertaking with many potential pitfalls. According to technology research firm Gartner, more than half of implementations fail to meet the expected objectives and in order to achieve a satisfying end result a comprehensive pre-study and clear business case are needed.

### The business case

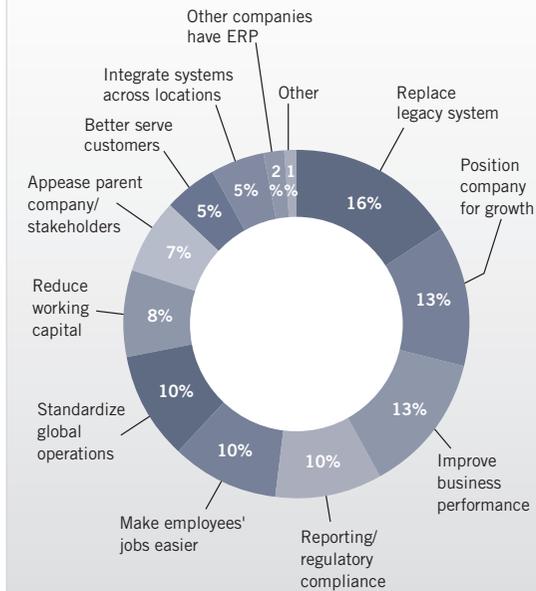
The business case must be measurable throughout the project and quantifiable in terms of value added to the organization. Return on investment should be evaluated from a corporate perspective. From the perspective of

local roll-outs of individual sites, functions or business segments, the implementation may typically not include the full range of business benefits expected.

A key component in defining a compelling business case is the understanding of the current operating model and financial structure. A high degree of homogeneity and centralization will enable quicker alignment on the new setup while a globally diverse and autonomous organization leads to a higher risk of failure.

A common mistake is to overlook the total cost of ownership by focusing too much on the implementation costs and underestimating the operating costs related to maintenance and support. Generally, legacy systems require more manual maintenance than standardized systems which drive costs that need to be taken into account in the business case.

### REASONS FOR IMPLEMENTING ERP



# SUCCESS FACTORS FOR ENTERPRISE-WIDE IMPLEMENTATIONS OF ERP SYSTEMS

Seven key success factors can be identified that are essential to the success of an enterprise-wide ERP implementation project.

## I Ensure top management commitment

A distinguishing trait of a successful ERP implementation is the full support and commitment from management. The broad scope of the project impacts not only IT systems but also transforms established workflows and business processes. Involvement from management in establishing a shared vision of the benefits of the project will reverberate through the organization and increase motivation and employee engagement.

## II Understand key business requirements

A fundamental element in the pre-study phase is the identification of the business structure and processes associated with the current IT landscape. Proper documentation will increase the efficiency of the business process re-engineering towards the to-be processes supported by ERP. An important aspect is to prioritize the key requirements and focus on the wanted situation rather than spending time on lower level sub-processes or on processes not supported by the ERP.

## III Follow a proven project methodology

An ERP implementation requires a robust governance model that evolves with the project over time. Availability of key people from different locations, languages, cultures and areas of expertise need to be coordinated. The PMO should be set up to be the “single source of truth” managing risks, scope, prioritizations and status of the overall delivery.

## IV Involve receiving organization early

Managing change is a constantly ongoing process that employees need to be introduced to over time to avoid organizational resistance and to enable a smooth workforce transition to the new system. Involving the receiving organization early in project meetings, training and testing requires careful planning not to disrupt their line roles. Allocating selected project activities to experts can allow managers to assign part-time referent persons to the project with limited impact on their day-to-day tasks. Early project onboarding of line resources will enable them to become ambassadors for the project in their respective teams.

**67%**

**“2/3 of all customized features in an IT system are waste”**

– Prof. Jan Bosch, Chalmers University of Technology, during the Seminar Digitalisation – opportunities and challenges, 2017

## V Keep customizations to a minimum

Customizing the software to fit with a particular business process will add to the complexity of requirements specification, IT development, testing and user training. Future support will be limited and upgrades of the system will become challenging as the customizations need to be redesigned for the new version. The lifetime of the system might be reduced which negatively impacts the overall return on investment of the project. The pre-study should therefore identify the ERP that best fit with the to-be processes and later customizations should be carefully selected or preferably avoided (NB customizations are discouraged but *configurations* that use

the inherent flexibility of the software is often a useful way of fulfilling the business needs).

## VI Manage dependencies

The broad scope and duration of an ERP implementation will cause changes in systems and processes not directly in scope of the project but indirectly impacted by it. Integrations, interfaces and interdependencies of all involved legacy systems need to be studied. A key element is the communication and alignment with parallel projects in the company that may change assumptions or prerequisites. The ERP setup is also closely interlinked with the legal and managerial enterprise model. To be able to deliver the needed level of flexibility, the project must consider potential future organizational restructuring by management that could impact, for example, financial reporting requirements.

## VII Prioritize data migration

Data is one of the primary assets as well as sources of errors, issues and delays yet is not always recognized as a priority in the planning. Addressing data harmonization and the scope of data to migrate early will increase the efficiency of the implementation. Data cleansing in particular can have a major effect on the delivery date of the project and be a cause of cost overruns if left unprioritized. Data management risks should be estimated as early as possible and sufficient resources allocated to mitigate them. Even the best-in-class systems cannot produce value using flawed data – the computer science adage “garbage in, garbage out” holds true also for ERP systems.



# CURRENT TRENDS SHAPING THE FUTURE OF ERP IMPLEMENTATIONS

## Unlocking the full potential of ERP

While ERP systems have been in place for decades, rapid advancements and new trends in software engineering continue to drive innovation in how companies work, interact, prioritize and manage security. Emerging technologies in areas such as big data analysis, smart products, connected devices and virtual manufacturing require the maturity of the underlying information landscape that can be provided by an ERP solution. We see that many of our clients are exploring the potential in further capitalization on this development through their ERP implementations.

## Managing data – creating order from chaos

According to IBM, an estimated 90% of all existing data has been created during the past two years. An ERP sys-

tem provides the structure that allows companies to apply tools to organize their data into interpretable information. Analytical tools are continuously being developed and made available by third parties as well as the ERP vendors themselves to enable techniques such as data visualization, predictive analyses and cloud computing.

As the market for Business Intelligence (BI) and data management grows, business functions demand increasingly sophisticated analytical and self-service tools from their IT departments to allow dynamic, real-time and ad hoc information from their systems. These requirements on data management are crucial to address already at the outset of an ERP implementation since they form the basis of



make-or-break decisions that lay the groundwork for future possibilities enabled by BI tools.

As shown in the figure, master data management is one of the top priorities among companies in 2017. Every company's data environment is different and effectively collecting requirements and evaluating them against available BI solutions can reduce cost, improve efficiency, increase user experience and position the company to profit from emerging trends and technologies.

## Robotics and business automation

Standardized processes enable centralization of tasks through shared service centers. These tasks can, in turn, often be automated to further enhance efficiency and shorten lead-times. Robotic Process Automation (RPA) is an approach in which software “robots” are programmed to perform tasks normally performed by humans – a sort of virtual workforce. RPA tools are typically suited for processes that are highly repetitive and rule-based, such as the financial closing process. Benefits include shortened lead-times and reduced costs for time-consuming tasks such as journal entries, reconciliations, eliminations and consolidation.

## IMPORTANCE OF BUSINESS INTELLIGENCE TRENDS 2017



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