The Third Stage of ERP Software and Digital Transformation:

20 LESSONS

FROM 1,000+ DIGITAL TRANSFORMATIONS OVER 20 YEARS

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THIRD STAGE
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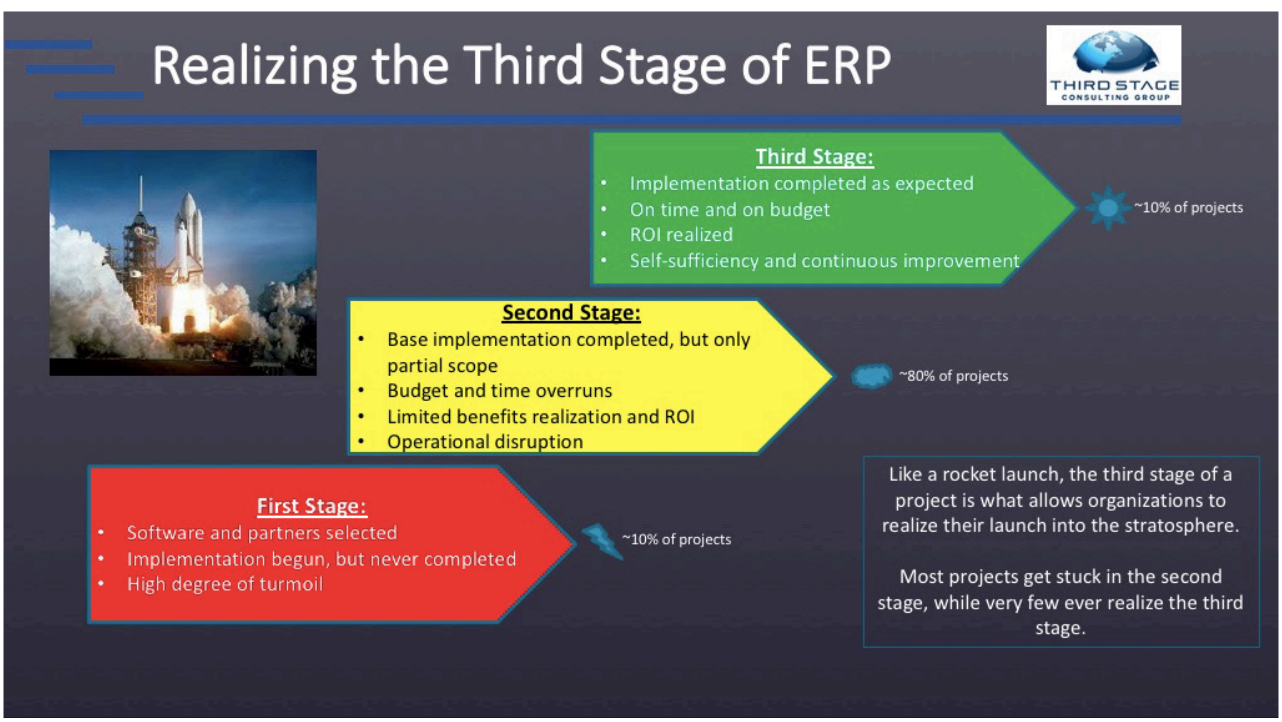
Over the last 20 years, I've had the privilege of working with well over 1,000 companies on their ERP software and digital transformation initiatives. Some of these were clients that I helped through their entire transformation – from selection all the way through and after implementation. Some were organizations that I worked with to help get their implementations back on track. Others were cases that I analyzed as an ERP expert witness, while I was involved with others as an executive steering committee member.

This broad experience based has fine-tuned my instincts to recognize and prescribe the "secret sauce" of ERP implementations and digital transformations. It's helped me understand that success isn't based on luck – instead, it's based on a very consistent pattern of behavior and best practices that virtually guarantee success.

The findings in this report will help your organization reach the third stage of transformation. Most companies fail to get past the first two stages, where they get bogged down by change resistance, broken business processes, budgetary overruns, and other challenges. The most successful organizations are able to reach that third stage of digital transformation success.

I've combed through my mental database to identify the 20 things that I would prescribe to just about any organization to ensure success. These best practices apply to any sort of digital transformation, whether it be a deployment of SAP S4/HANA, Oracle Cloud; Microsoft Dynamics365, or another ERP system; implementation of a best-of-breed solution; CRM or HCM software such as Salesforce or Workday; or any other type of digital transformation.



1 IMPLEMENTATION SUCCESS VERSUS FAILURE IS NOT A COINCIDENCE

Implementation success doesn't happen because of luck. On the flip side, failure is not a case of bad luck. Rather, successful implementations deploy a set of proven and effective best practices, while less successful organizations leave their projects up to chance.

Failure can be avoided, and success can be achieved. It's up to you and your team which path you will take. The lessons and findings outlined throughout this report provide a foundation for the best practices you will need to leverage on your digital transformation efforts.

2 DEFINE A CLEAR ENTERPRISE AND DIGITAL STRATEGY BEFORE YOUR PROJECT EVER STARTS

Digital and ERP projects tend to go awry without a clear digital and technology strategy and roadmap. Too often, organizations want to jump right into an ERP software selection and implementation without having a clear vision and strategy for the project. As a result, they end up missing out on big opportunities to leverage technology to generate massive improvements to their businesses.

A well-defined digital strategy, on the other hand, will help ensure that you have clear direction, widely understood goals and objectives, and prioritization of limited resources. It helps ensure that you are choosing software that best fits your long-term needs and strategic direction. It also helps save time and money – especially in the long-term.

3 DON'T SPEND TOO MUCH TIME AND MONEY ON YOUR SOFTWARE SELECTION

With the number of options in the market, it's easy to get caught in analysis paralysis. The leading ERP vendors, their smaller competitors, and even upstart software firms provide a range of viable options to companies of all industries, geographies, and size.

If your ERP selection process or consultants are leading you down a path of an exhaustive long list, requests for information (RFIs), or overly detailed and unprioritized business requirements, then one of two things is happening. Either 1) your consultants and team members are spinning their wheels because they don't know enough about the ERP software space, and/or 2) you are spending too much time on money that could be better spent elsewhere.

If you're about to start an ERP selection, think about how you can strip down the process to the bare essentials, leverage outside experts to get you there quickly, and focus more of your time on implementation. This will help you achieve success where so many fail.

4 DON'T BACK YOURSELF INTO A CORNER WITH TECHNOLOGY

Business should drive your digital and technology initiatives – not the other way around. Too often, organizations choose and implement new technology without a clear vision of the desired end-state, which boxes them in and makes it difficult to achieve long-term growth and efficiency.

For example, let's say you are only looking at a small scope for the first phase of your digital transformation. You may just be looking at CRM software or a new HCM system. If you select and implement that technology in a vacuum, you may later be limited by integration issues, escalating costs, or other suboptimal results that you may not realize at the time.

There are plenty of options in the market. CRM, HCM, planning and forecasting, business intelligence, predictive analytics, and other systems are all examples that can give you the competitive advantage you're looking for. Be sure you're not backing yourself into a corner and that the early phases of your imitative are part of a longer-term, overarching strategy and plan.

5 A STRONG IMPLEMENTATION IS MUCH MORE IMPORTANT THAN A TIME-CONSUMING SOFTWARE SELECTION

Every company has limited time, money, and resources, so management teams need to be careful where they invest those limited resources. Companies that get distracted by a laborious and expensive software selection process have less time and resources to invest in a successful implementation. A perfect software selection with an imperfect implementation is much less effective than a very strong implementation after an accelerated selection process.

Momentum is a tricky thing. It's great once you have it, but it's easy to lose and very difficult to overcome its loss. Software selections that take too long tend to create skepticism, uncertainty, and burnout among your project team members, employees, and executives. Fast-tracking the process helps ensure that you start your implementation with plenty of gas in the tank.

6 WHEN IT COMES TO DIGITAL TRANSFORMATION, THERE ARE NO SILVER BULLETS

Everyone likes an easy button. We all want the easiest and lowest cost solution with the least amount of risk. Buzzwords like "pre-configured industry solutions," "simple cloud software," and "canned training materials" point to this state of utopia that we all long for.

But there are no silver bullets or easy answers when it comes to your digital transformation. Every choice you make is full of pros, cons, risks, and tradeoffs. The key is to objectively define the solution that makes the most sense for your organization and your priorities.

At the end of the day, it's important to recognize that no matter what technology solutions you choose, you still have to put in the hard work, time, and resources to make the transformation successful. Organizational change, business process improvement, project management, and other critical success factors still require hard (and effective) work in order to be successful.

7 SUCCESSFUL DIGITAL TRANSFORMATIONS ARE BUSINESS TRANSFORMATIONS, NOT IT PROJECTS

The most successful projects are those that are treated like broader business transformations rather than IT projects. In other words, these projects focus more on improving and transforming business processes, operating models, roles and responsibilities, and overall business results, and less about implementing new technology.

This philosophy should permeate your entire project, from the way you define your long-term digital strategy, to the way you evaluate and select software, to the way you implement and ultimately use technology. A laser focus on things like organizational change management, business process improvement, and benefits realization are more likely to deliver transformational results than the actual implementation of technology solutions.

8 ENSURE THAT YOU HAVE REALISTIC EXPECTATIONS TO START

Unrealistic expectations are one of the root causes of transformation failure. Too many organizations are doomed from the start simply because they underestimated the time, money, and resources required to make the project successful.

Project teams tend to make poor decisions out of necessity when a project plan is built on unrealistic expectations. Because they never had enough time, money, or resources to begin with, they begin making faulty decisions. For example, organizational change management is often the first workstream to be eliminated when resource constraints impact the project.

It is nearly impossible for a project to succeed with unrealistic expectations, so make sure you have a solid and realistic project plan to begin with. Begin by taking vendor sales proposals with a grain of salt and ensuring that you augment their recommended plan with critical activities that you are responsible for.

For example, organizational change management, data migration, and quality assurance are three areas that are typically omitted from vendor, reseller, and system integrator project plans.

9 CONTROL THE TEMPO OF YOUR TRANSFORMATION INITIATIVE

It is important to view your digital transformation as a marathon, not a sprint. With this in mind, it is important to pace yourself and control the tempo of the overall initiative.

This tenet should begin in the early stages of your project. Begin with clearly defining your long-term vision and strategy, followed by defining your new and improved business processes. Once you have selected the technology that best fits this future-state vision, be sure to spend time carefully designing your business processes and technical configurations before jumping straight into implementation.

Slowing the tempo of your project may seem like it is costing you more time and money, but your savings will be exponential in the long-term. In addition, the actual implementation will be smoother and less disruptive than if you rush into implementation without having your house in order first.

10 MAKE SURE YOUR HOUSE IS IN ORDER BEFORE IMPLEMENTATION

ERP software vendors are notorious for convincing buyers to sign on the dotted line and prematurely jump into implementation before they are truly ready. It's important to have a strong foundation with your house in order before rushing into your project.

For example, you will want to make sure you have clearly defined your business requirements, a first-cut of your desired business processes, and a clear strategy before beginning your selection and implementation projects in earnest. This will help save time and money, while also ensuring that you choose and implement the technology that best fits your future needs – rather than solutions that simply automate your already inefficient business processes.

11 DEDICATE THE BEST RESOURCES TO YOUR PROJECT

Most organizations don't have a bench of resources awaiting a big assignment like an ERP implementation or digital transformation project. Despite this constraint, successful technology deployments have plenty of internal and external firepower assigned to their projects.

This begins with your executive sponsors and cascades all the way through to your superusers, change agents, and subject matter experts. You don't just want the people that have the time to dedicate, but you also want to assign people that are your A-players, know the business the best, and are open to outside best practices that can help transform your business.

12 ENSURE THAT YOU HAVE STRONG EXECUTIVE SUPPORT, BUY-IN, AND INVOLVEMENT IN YOUR PROJECT

Establishing the right resource assignments starts at the top with the executive sponsors and the executive steering committee. This team needs to be fully engaged in keeping a pulse on the project, making important (and often times, difficult) decisions, and helping solve problems along the way.

Decision-making is one of the things that many executive teams are the least prepared for. They will not only need to make decisions regarding the project, but they will also need to make important operational decisions regarding how the business will operate in the future and the magnitude of change they are willing to absorb. Make sure that your executive team is actively involved this team rather than delegating to the project team. This is an important prerequisite for success.

13 ESTABLISH STRONG PROJECT GOVERNANCE AND CONTROLS

Think of project governance and controls as the guard rails that will keep your project from getting off track. A strong project management team, key decision frameworks, and the right outside consulting support are all keys to a successful project governance structure.

A business case is another key input to a successful project governance approach. Your business case should guide decision-making to ensure that your implementation stays true to the company's longer-term vision for the project. For example, customization requests are a lot easier to rationalize or reject if you have a solid business case that links to your corporate strategy.

14 ESTABLISH CLEAR PROJECT GOALS AND A STRONG BENEFITS REALIZATION PLAN

Speaking of a business case, your project needs more than the typical business case designed to sell the project to executives. In other words, a good business case isn't something that sits on the shelf collecting dust after the project is approved. It should be a living document that helps drive decisions during the project, business benefits after implementation, and longer-term innovation.

A business case becomes more of a benefits realization tool once it is actionable. It should link specific business benefits, functionality in the software, and business process changes that will enable the benefits. It should also assign ownership and align with future reporting and analytics requirements. Most importantly, it should be the foundation for post-implementation audits designed to identify areas of underperformance and implement continuous improvements to optimize business benefits.

Most companies spend significant time and money on their transformations, but they underinvest in this important activity. When compared to the overall cost of a project, benefits realization is arguably the area that delivers the most business value and return on investment. The incremental and relatively immaterial investments required will increase your chances of success.

15 DON'T MAKE SHORT-SIGHTED DECISIONS

When managing their transformations, companies too often make short-sighted decisions. To use the old adage, they step over dollars to pick up pennies.

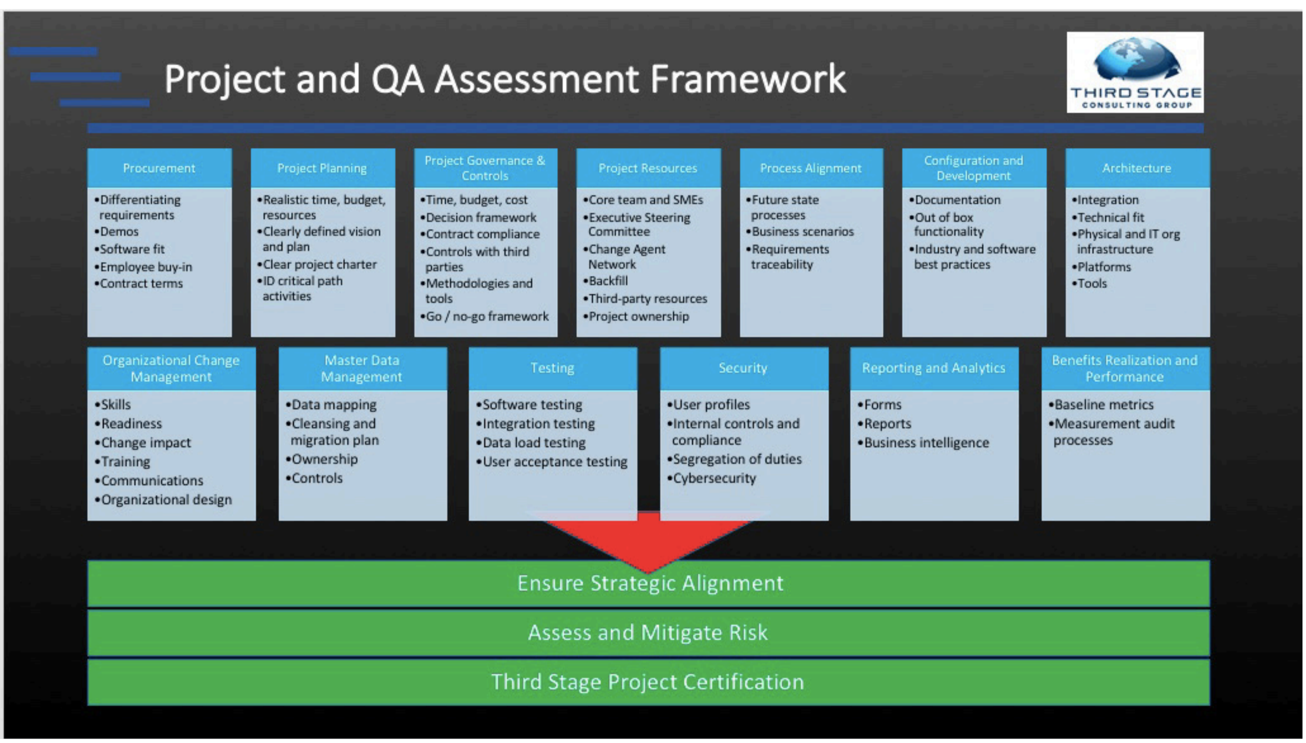
When assessing potential cost-benefit scenarios, it is important to assess short-term project costs along with longer-term costs and business value. What may be good for the short-term project could be disastrous for longer-term value, innovation, and benefits realization.

For example, it may appear that compressing your business process management or organizational change management schedule will accelerate your overall timeline – or at least it may look that way on paper. However, this hypothesis doesn't conform to reality. Short-sighted decisions like these will inevitably lead to longer-term time, cost, and risk, so be sure to look at the big picture first before making such decisions.

16 INTEGRATE STRONG QUALITY ASSURANCE AND RISK MITIGATION PROCESSES INTO YOUR PROJECT

An effective quality assurance and risk mitigation process helps address many of the risks identified throughout this report. Like a "canary in a coal mine," a good QA process will identify warning signs even before they are apparent to your team. It will also ensure that you minimize operational disruption when you go live with new technologies.

For example, skipping a round or two of user acceptance testing or conference room pilots may not seem like a huge deal at first. It may not even "feel" like it's having any sort of negative impact on your project – until it's too late. A QA process based on implementation best practices is one of the best ways to identify these risks and mistakes while there is still time to remediate and keep your project on the path to success.



17 IT'S NEVER TOO EARLY TO BEGIN PLANNING FOR DATA MIGRATION, BUSINESS INTELLIGENCE, ANALYTICS, FORMS, AND REPORTS

Anything involving data may seem like an afterthought to a successful implementation, but it can severely disrupt your project. Just as importantly, it takes time to define your data and reporting architecture.

This risk has become even more pronounced as software vendors have invested more heavily in artificial intelligence, business intelligence, machine learning, predictive analytics, and other ways of leveraging big data. This technology loses its advantage when the implementing organization hasn't adequately mapped and cleansed its data or clearly defined its business intelligence and analytics needs.

18 INVEST PLENTY OF TIME IN BUSINESS PROCESS MANAGEMENT – YOUR FUTURE-STATE BUSINESS BLUEPRINT

Despite big investments in new enterprise technologies, companies leave far too much money on the table because of inefficient post go-live business processes. Too many organizations simply automate their subpar processes. Some refer to this as "paving the cow paths."

The most successful implementations invest the time and money defining current state and future state business processes, with an emphasis on the latter. They understand their strong areas, their areas of competitive advantage, and areas that need improvement. They also understand that technology is simply an enabler of change – not the end all be all.

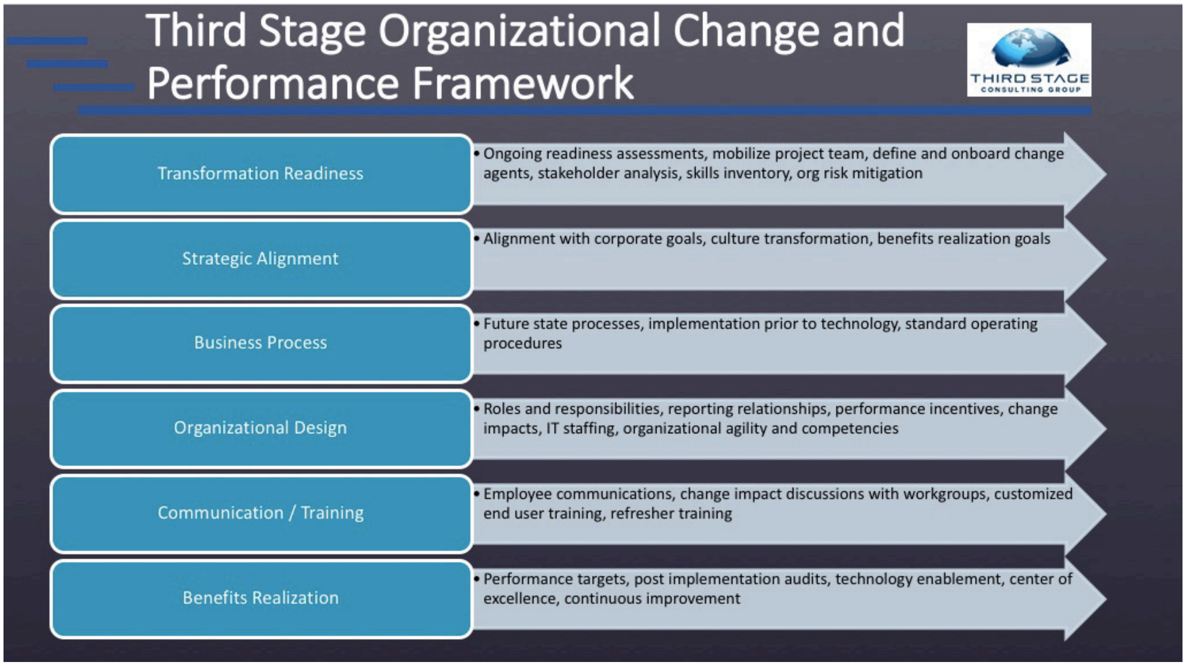
A deliberate business process management work stream also helps clearly define a more appropriate system design, a more effective organizational change strategy, and clear opportunities to reengineer business processes. It also speeds up later phases of the transformation by providing a clear business blueprint for everyone to work from.

19 SUCCESSFUL DIGITAL TRANSFORMATIONS REQUIRE MORE ATTENTION AND FOCUS ON PEOPLE

Organizational change management is probably the most important thing for you do well during your digital transformation. If the software works well without your people working well with the software, then your project will be an unmitigated failure.

The problem with organizational change is that so few know what it means, and it is a concept that is hard to touch and feel. To summarize, it includes any and all activities that help ensure your people are aligned with the new processes and systems. This includes things like change impact assessments, business readiness assessments, redesigned roles and responsibilities, training, communication, and a host of other important activities.

Although it may appear as though investing less in organizational change management will save time and money, it actually costs more time and money to neglect this critical success factor. A robust and complete organizational change management strategy will cost much less time and money, cause less operational disruption, and result in a higher return on investment.



20 ASK FOR HELP

Even if you've been through an implementation or two in your past, chances are that this project is going to be nearly as difficult as the last. Don't be afraid to leverage third-party resources and support to guide you through the process. At the very least, outside consultants can help act as a sounding board for challenges you experience along the way.

Independent consulting firms such as Third Stage Consulting can help define a clear digital strategy aligned with your corporate goals, develop a realistic roadmap based on your situation, keep your implementation on track, and help manage organizational changes throughout.

CONCLUSION

Transformation success is not due to chance. It is a result of common patterns that have proven themselves over time.

To summarize, here are a few of the most common root causes of success that are most likely to mitigate risk on your project:

- A clearly defined digital strategy, aligned with your corporate strategies
- Strong project governance
- An effective organizational change management strategy and plan
- Clear business process management
- Executive and project resource commitment
- The right third-party consulting support

The above recommendations don't involve rocket science. They don't require an advanced degree, certification, or even a ton of implementation experience. These technology-agnostic best practices will ensure that you have a better chance of succeeding and that your organization comes out ahead at the end of the day.

About Eric Kimberling

Eric Kimberling is the most recognized and respected independent ERP systems expert in the world, giving 100% unbiased advice to clients for over 20 years. Eric has dedicated himself to giving keynote speeches at industry conferences and universities worldwide, and has been quoted in thousands of articles in newspapers, magazines, and books, including the Wall Street Journal, CIO Magazine, and Fortune. He has served as the expert witness in the industry's highest-profile legal cases, representing both government and private companies across the globe. He is also the author of the acclaimed book, "An Expert's Guide to ERP Success."

Eric is an expert in organizational change management, project management, implementation, and evaluations of ERP systems. His extensive experience includes ERP software selection, organizational change management, implementation project management, and benefits realization. In addition to his extensive ERP experience, Eric has also helped clients with merger and acquisition business integration, via strategic planning, business process reengineering, and Six Sigma. He further demonstrates his innovative and unparalleled industry experience as the lead facilitator of a weekly webinar series.

Throughout his career, Eric has helped hundreds of high-profile enterprises worldwide with their ERP initiatives, including Nucor Steel, Fisher and Paykel Healthcare, Kodak, Samsonite, Coors, Boeing, Duke Energy, Filson, and Lucent Technologies, to name a few. He has helped manage ERP implementations and reengineer global supply chains in countries as diverse as China, India, Singapore, Hong Kong, New Zealand, South Africa, and the United States. He has won numerous industry awards for his experience and contributions, including Supply Chain Pro to Know and Best Independent ERP Blog award from ERP Focus.

About Third Stage Consulting

Founded by industry thought leader Eric Kimberling and supported by the industry's leading consultants who have also spun off from his previous venture, Third Stage brings our clients an unparalleled wealth of experience. Comprised of senior business and technology advisors, project managers, process engineers and change innovators, our team has led some of the most complex and well-known technology initiatives over the past 20+ years.

Our consulting approach and methodologies stem from the core objective of improving businesses operational efficiencies and profitability through optimizing the use of technology. Technology, in one way or another, influences every single aspect of business today. With the immense amount of technologies available, it is rarely easy to determine the best technology strategy. Expertise is needed to help determine when, where and how to implement new systems, to make use of emerging technologies and to map technology investment to a positive ROI. This is where Third Stage Consulting thrives.

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