ECIS 2011

Critical Success Factors of Global Enterprise Resource Planning Programmes: An Empirical Model Based on Expert Interviews

Helsinki, June 10th, 2011



Results of global ERP implementations leave room for improvements

Based on classical project measures results are often unsatisfactory

- Budget overruns, mostly due to excessive scope change requests
- Missed implementation dates
- Cancelled ERP projects with substantial sunk costs

But the gap in functional requirements is often even worse

- ► User satisfaction drops after ERP implementation ("... we had a better (local) solution for this before ...")
- Business disruption due to insufficient testing and training
- Organizational Change resistance has not been handled at all, leading to defensiveness against the new ERP system

Source: Project Experience, ERP related Conferences, Literature Research, Case Study Research



These problems are often created from the beginning of the programme

- Many ERP programmes suffer weaknesses from the set-up of the programme onwards
- 4 Senior Management often lack an understanding on the stress a global ERP programme puts on the organisation:
 - 4 While financial impact can be estimated relatively accurately, the requirements on the best skilled resources and the management attention often gets underestimated
 - 4 Organisational readiness is seldom assessed to start specific activities to prepare the organisation beyond functional trainings
 - 4 Too much thought is spend on technical implementation questions leading to a delegation of the whole programme from a CEO to an IT level
 - 4 The methods deployed are not aligned to project objectives, but put into the hands of system integrators or package providers
 - 4 Objectives of the ERP project are poorly aligned to company culture and market requirements
- 4 Only alignment of all aspects ensure proper ERP programme execution

Source: Research towards the phd thesis of Gunter Seidel



Only when environmental, resource-related and methodological factors are aligned to objectives, ERP programmes are successful

Who?

Environmental

- 4 Markets & business cultures
- 4 Resistance to change
- 4 (In-)flexibility
- 4 Innovation potential

With which?

Programme Objectives

What?

- 4 Degree of centralization, process standardization and package use
- 4 Instance and maintenance strategy
- 4 Implementation time
- 4 Acceptance within the company

Model of success probability

(On-time, In-budget, In-scope)

Resource-related

- 4 Funding
- 4 Human resources
- 4 Management attention

Methodological

- 4 Localization common template in tax, legal, customs
- 4 Change approach
- 4 Governance model

How?

Source: Research towards the phd thesis of Gunter Seidel, initial research proposal for model



For a clear viewpoint of success and endangerment factors a series of expert interviews was conducted

FINAL LIST

Key	Position	Industry	Lifecycle	Main Project Location	Employees
Α	Project Manager	Nutrition	Late roll-out cycle	Germany	40,000
В	Project Manager	Automotive	Mature operation	ltaly	10,000
С	CIO	Chemical products	Blueprint phase	Germany	4,000
D	Application Mgr.	Industrial products	Mature operation	Switzerland	3,000
Е	CIO	Insurance	Post pilot	Switzerland	20,000
F	Consultant	HW-vendor	n/a	n/a	n/a
G	Project Manager	Industrial products	Late roll-out cycle	Germany	4,000
Н	Consultant	ERP-SW-vendor	n/a	n/a	n/a
- 1	CIO	Chemical products	Mature operation	Switzerland	20,000
J	Project Manager	Insurance	Late roll-out cycle	Switzerland	60,000
K	CIO	Industrial products	Mature operation	Germany	10,000
L	Project Manager	Automotive	Blueprint phase	ltaly	20,000
М	Project Manager	Paper	Late roll-out cycle	Germany	40,000

Source: Research towards the phd thesis of Gunter Seidel



Model derived by an Expert Interview Series

Change Mgmt. Approach

Change Management Approach

The company has an effective approach to handle the organisational changes induced by the ERP roll-out.

- Change Management is local
- Change Management is formal
- · Vision established for new business models
- · Communication is effective
- End-to-end view trained
- Technical & organizational concept aligned



Model derived by an Expert Interview Series

Change Mgmt. Approach

Management Attention

Management Attention

All levels of management have been aligned towards the ERP programme.

- Top management sponsorship established
- Top management engaged throughout life cycle
- Middle management buy-in generated



Model derived by an Expert Interview Series

Change Mgmt. Approach

Management Attention

Funding Model

Funding Model

The funding model chosen supports the efficient and effective ERP implementation.

- Is aligned to programme approach
- Generates incentive for roll-out
- Generates cost-effective requirements
- Ensures efficient project operation



Model derived by an Expert Interview Series

Change Mgmt. Approach

Management Attention

Funding Model

Human Resources

Human Resources

Human Resources are adequately provided to the ERP programme to fulfil its tasks.

- Top process skills available
- · Intercultural know-how available
- Joined Buz+IT, global+local teams
- Team stability is ensured
- · Team can interact face-to-face
- · Team is full-time
- · External resources are well managed



Model derived by an Expert Interview Series

Change Mgmt. Approach

Management Attention

Funding Model

Human Resources

Governance Model

Governance Model

A stringent governance model is established to manage the ERP programme.

- Efficient scope change management
- Governance board to handle Mg. effectively
- · Programme management established
- Stable objectives
- Sustain global ERP



Model derived by an Expert Interview Series

Change Mgmt. Approach

Management Attention

Funding Model

Human Resources

Governance Model

Method Selection

Method Selection

Selection and execution of a method for design, deployment and localization.

- Follows a method consistently
- · Blueprint is comprehensive
- Method is made company specific



Model derived by an Expert Interview Series

Change Mgmt. Approach

Management Attention

Funding Model

Human Resources

Governance Model

Method Selection

Tools

Tools

Early deployment of suitable tools.

- Are selected early
- Suitable to drive efficiency



Model derived by an Expert Interview Series

LOCAL

GLOBAL

Change Mgmt. Approach

Management Attention

Funding Model

Human Resources

Governance Model

Method Selection

Tools

Technical Factors

Technical Factors

All technical challenges are addressed.

 Technical challenges are addressed: Compliance, Data Conversion, Master Data, Security, UniCode, Availability, Time Zones, Translation, Infrastructure



Model derived by an Expert Interview Series

Market & Business Cultures	Market & Business Cultures
	The impact of the local market and business culture has been handled adequately.
LOCAL GLOBAL	 Local process requirements addressed Intercultural work aspect handled
Change Mgmt. Approach	
Management Attention	
Funding Model	
Human Resources	
Governance Model	
Method Selection	
Tools	
Technical Factors	



Model derived by an Expert Interview Series

Market & Business Cultures Unwillingness to Change LOCAL **GLOBAL** Change Mgmt. Approach **Management Attention Funding Model Human Resources Governance Model Method Selection Tools Technical Factors**

Unwillingness to Change

Describes the initial level of resistance to change of a site and the measures addressing it.

- Initial level is low
- Is handled adequately



Model derived by an Expert Interview Series

Market & Business Cultures Unwillingness to Change Inability to Change LOCAL **GLOBAL** Change Mgmt. Approach **Management Attention Funding Model Human Resources Governance Model Method Selection Tools**

Inability to Change

Describes limitations in the ability of people to embrace the changes.

- Language abilities
- Innovation Potential
- Inflexibility

Source: Results of empirical research towards the phd thesis of Gunter Seidel, based on 13 expert interviews



Technical Factors

Model derived by an Expert Interview Series

Market & Business Cultures Unwillingness to Change Inability to Change Necessary preconditions LOCAL **GLOBAL** Change Mgmt. Approach **Management Attention Funding Model Human Resources Governance Model Method Selection Tools Technical Factors**

Necessary preconditions

The site is suitable for a roll-out.

- Suitable size & business model
- Technology life cycle
- Resource availability



In summary 12 success factors were identified and 2-7 management actions to establish them gathered

Model derived by an Expert Interview Series

Market & Business Cultures : 2 management actions / indicators

Unwillingness to Change : 2 management actions / indicators

Inability to Change : 3 management actions / indicators

Necessary preconditions : 3 management actions / indicators

LOCAL

GLOBAL

Change Mgmt. Approach : 6 management actions

Management Attention : 3 management actions

Funding Model : 4 management actions

Human Resources : 7 management actions

Governance Model : 5 management actions

Method Selection : 3 management actions

Tools : 2 management actions

Technical Factors : 1+x management actions



Model derived by an Expert Interview Series

Market & Business Cultures Unwillingness to Change Inability to Change Necessary preconditions LOCAL Savings **GLOBAL Savings** Financial savings targets were defined initially **Change Mgmt. Approach** and their realization has been achieved. **Management Attention Funding Model Human Resources Governance Model Method Selection** Tools **Technical Factors**



Model derived by an Expert Interview Series

Market & Business Cultures

Unwillingness to Change

Inability to Change

Necessary preconditions

LOCAL

GLOBAL

Change Mgmt. Approach

Management Attention

Funding Model

Human Resources

Governance Model

Method Selection

Tools

Technical Factors

Business Improvements

Business Improvements targets were defined initially (preferably with KPIs) and have been achieved with the ERP programme.

Savings

Business Improvements



Model derived by an Expert Interview Series

Market & Business Cultures Unwillingness to Change Inability to Change Necessary preconditions LOCAL **GLOBAL Savings Change Mgmt. Approach Business Improvements On-time Management Attention** On-time **Funding Model** The ERP programme was completed on-time. **Human Resources Governance Model Method Selection Tools Technical Factors**



Model derived by an Expert Interview Series

Market & Business Cultures Unwillingness to Change Inability to Change Necessary preconditions LOCAL **GLOBAL Savings Change Mgmt. Approach Business Improvements** In-budget **Management Attention** On-time **Funding Model** The ERP programme was completed in-budget. In-budget **Human Resources Governance Model Method Selection Tools Technical Factors**



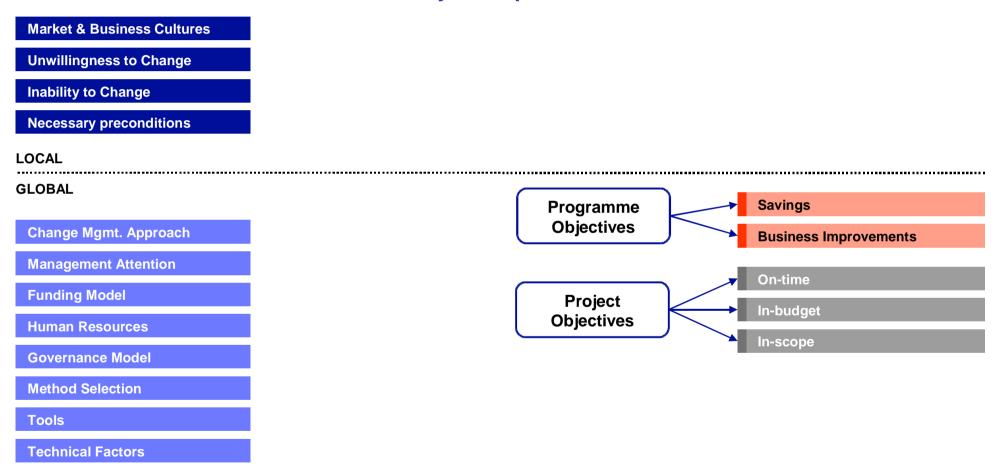
Model derived by an Expert Interview Series

Market & Business Cultures Unwillingness to Change Inability to Change Necessary preconditions LOCAL **GLOBAL Savings Change Mgmt. Approach Business Improvements** In-scope **Management Attention** On-time **Funding Model** The ERP programme was completed in-scope. In-budget **Human Resources** In-scope **Governance Model Method Selection Tools Technical Factors**



The elements of success were grouped into programme and project objectives according to the interview results

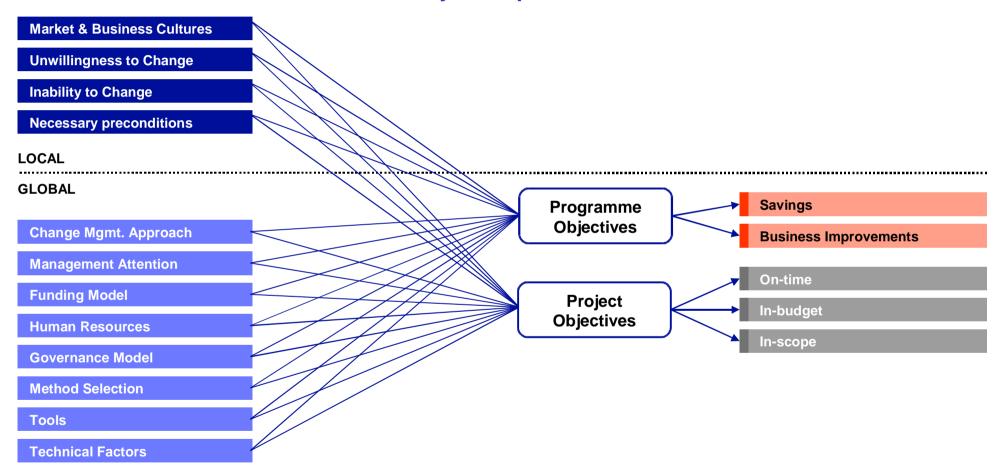
Model derived by an Expert Interview Series





This results in an unweighted model of Critical Success Factors driving Programme and Project success

Model derived by an Expert Interview Series



Source: Results of empirical research towards the phd thesis of Gunter Seidel, based on a survey of 67 global ERP programmes



Questions?

Dr. Gunter E. Seidel

E-Mail: <u>gunter@gunter-seidel.de</u>

Mobil: +49-163-70.128.60

