Change Management and Adoption for Cloud ERP

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Cloud computing and software as a service (SaaS) are powerful forces to help organizations improve operations and achieve greater business agility. To make informed decisions and leverage your ERP investment, it is important to understand the impact of cloud computing and the role of professional services in this new world.

This white paper is part three of a series sponsored by NetSuite and written by Michael Krigsman, a well-known cloud and ERP thought leader. The first white paper discusses transforming your business using cloud-based ERP. The second explores the important role of professional services when implementing cloud ERP. And this third white paper offers suggestions to encourage ERP adoption, an important foundation to create business transformation that endures.

These white papers present an independent view to help you understand ERP-related professional services in the cloud.

Table of Contents

ERP Value in the Cloud

The value of ERP lies in its ability to help organizations improve efficiency and productivity across many different functions and departments. Among the benefits of ERP are:

- Simplifying an organization's IT environment by replacing multiple legacy systems, including siloed department applications and spreadsheets, with a unified set of tools. Since cloud ERP uses a single database for the entire enterprise, it breaks down information silos and lets users receive real-time updates.

- Giving employees direct access to accurate information even when it originates in other business areas

- Enabling every department to gain a consistent and unified view of data throughout the company

- Easing daily use of the system because all ERP modules share a single user interface

Cloud computing does not require you to buy hardware infrastructure, so there is no need to allocate investment dollars to additional servers, system administrators, and other costs typically associated with a new on-premise enterprise software purchase. In addition, faster and more iterative implementation approaches further help to reduce up-front costs.

Organizations considering cloud ERP are also attracted by the promise of lower up-front costs and the ability to shift capital expenditures (CAPEX) to operating expenditures (OPEX). In addition, cloud software does not involve separate maintenance fees, as it usually the case with on-premise.

Just as importantly, cloud computing can help your organization adapt more readily to business needs that change over time. Opening remote locations, responding to changing regulations, and transforming strategies are all examples that require the support of flexible business systems.

Financial comparisons between on-premise and cloud ERP often focus on differences in up-front investment, such as lower implementation costs and the CAPEX / OPEX shift. However, the real value lies in helping organizations become more flexible, by taking advantage of information technology to improve operations while increasing innovation and responsiveness to the changing business environment. Cloud-based ERP makes access to these benefits more affordable.

Cloud ERP can help your organization become more flexible and adaptive to business change.

Realizing value. The following diagram shows the link between planning for business benefit and realizing those goals:

Define ERP business goals

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Determine operational improvements

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Configure ERP software

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Conduct change management activities

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Achieve end-user adoption

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Realize ERP business goals

Realizing the benefits from an ERP system requires that people in the organization use that system to full advantage. For this reason, encouraging adoption should be a critical part of any ERP implementation.

The remainder of this white paper explores adoption and offers advice on encouraging high levels of engagement from end-users.

ERP Adoption and Change Management

Before configuring the ERP software, your organization will work with a professional services provider to define business goals and specify the operational improvements needed to achieve them. Because the new ERP system is integral to achieving these goals, users must embrace the software as part of their daily routine. Given the importance of ERP in delivering the benefits defined up-front, it is important to encourage a high level of user adoption.

A report from analyst firm Forrester Research, describes the benefits of software as a service on encouraging user adoption, as shown in the following table:

Figure 1 Key Benefits Of Software-As-A-Service

Dimension	Software-as-a-service helps by . . .
Reduced cost of adoption	Reducing the licensing, training, and support costs of adding additional users.
Quicker adoption	Decreasing the time to ramp up new users, maximizing their productivity from using the application.
Improved adoption	Enabling more users to use the application.
On-premise cost avoidance	• Eliminating maintenance costs. • Reducing full-time help desk and server support, and transferring staff to higher value, proactive roles.
Improved flexibility	Reducing spend on excess capacity.

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Source: Forrester Research, Inc.

Achieving high rates of user adoption is often challenging, because most people find change to be difficult. Despite the challenge, user adoption is a necessary link in the chain that connects ERP planning to gaining tangible benefits from the new system.

For this reason, successful ERP projects develop a program of change management to help people in the organization learn and adapt to new roles, processes, and responsibilities.

Why Adoption Matters

It is likely some existing processes and employee roles will change when implementing any ERP system. For example, deploying a different ERP system in remote locations than that used by the home office may drive greater efficiency but also cause processes and employee roles to change. Using the cloud to connect remote locations to an established on-premise system, especially in a multi-vendor environment, is often called "two-tier" ERP. For many companies, two-tier ERP is an important means to get remote offices up and running quickly.

Because the process changes can be significant, employees must receive proper training so they can use the system to greatest advantage. Worse, poorly trained users may enter data incorrectly, which could create problems as ERP data flows across departmental boundaries.

The benefits of ERP can only arise when people in the organization embrace process changes created by implementing the new system. As the following illustration shows, end-user adoption is the last mile in achieving ERP value:

End-user adoption is the last mile for maximizing ERP value.

ERP VALUE

End-User Adoption

Professional Services

Enterprise Software
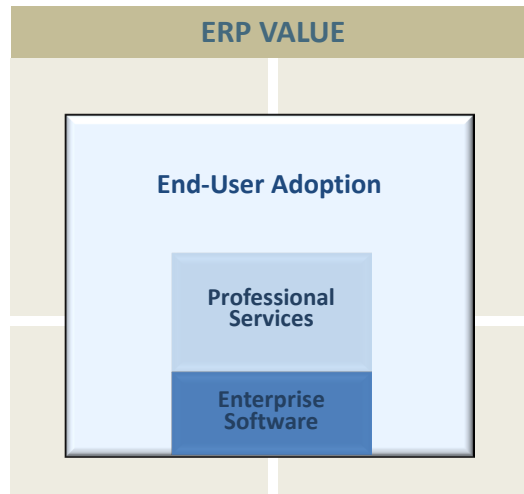
Change management

ERP implementations can succeed or fail based on organizational change management. Optimizing an organization occurs when users adopt improved processes, which enables the company to achieve desired operational efficiencies based on the new system.

When an organization handles change well, users understand their roles and transition smoothly to the new system. Therefore, we should recognize the importance of change management activities in helping support end-user adoption. Change management is a fundamental condition for ERP success.
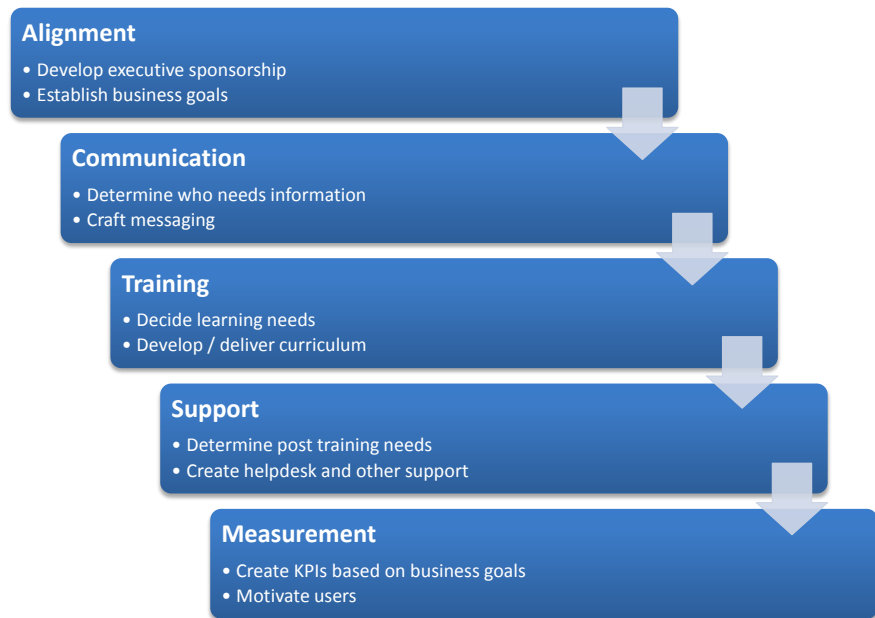
On an ERP project, change management activities help users through the transition period after the new system goes live. In general, organizational change management has three goals:

- Ensuring that users are qualified and motivated to use the new system successfully

- Helping people in the organization successfully navigate new business processes and other operating changes

- Easing the transition from old systems to the new one

Although there are many approaches to change management, most share these common elements: first explain the need for change, then teach users about the new processes, and finally reinforce the learning to embed changes in culture and daily routine.

Change management is a critical component for achieving ERP success.

NetSuite's recommended approach offers an example of typical steps in a change management process. Notice how this approach takes users through a systematic process of understanding, explanation, action, result, and measurement:

Alignment
- Develop executive sponsorship
- Establish business goals

Communication
- Determine who needs information
- Craft messaging

Training
- Decide learning needs
- Develop / deliver curriculum

Support
- Determine post training needs
- Create helpdesk and other support

Measurement
- Create KPIs based on business goals
- Motivate users

Cloud Deployments and Adoption

Despite the strong link between change management and ERP success, many organizations do not invest sufficiently in this critical area. Companies that under-invest risk downstream problems if users have difficulty adapting to new systems, roles, and processes. When this happens, the direct consequences include operational disruptions, broken business processes, poor software adoption, and errors because users enter wrong or incomplete data into the system.

Many organizations justify on-premise ERP projects with ambitious transformation plans rather than introduce incremental change over time. The traditional "waterfall" model of software development reinforces this approach by encouraging large process changes following the cutover from old system to new. In addition, because on-premise upgrades often require a significant

re-implementation, there are strong incentives to pack the initial deployment with features and therefore delay an expensive upgrade, which exacerbates the problem.

In contrast, cloud implementations often follow the "agile" approach, an iterative process in which the company releases features incrementally over time. This iterative method introduces business change more gradually than would otherwise be the case. When users have more time to absorb new technology and processes, change management and adoption are eased considerably.

As discussed in the other white papers in this series, the core technology of cloud ERP enables an iterative approach to implementation. In addition to making implementation easier, this approach to implementation enables power users to modify the cloud ERP system in response to business changes, such as an acquisition. Again, the important concept is incremental change over time, which gives the organization an opportunity to adapt and learn.

Because cloud ERP involves no on-premise infrastructure, implementation has less impact on IT staff. In addition, upgrades occur on the vendor side, which also reduces the burden on IT while supporting ongoing improvements. Typically, vendors release an upgrade version with new features turned off, letting the customer decide when to expose these new capabilities to users.

These characteristics of cloud ERP help you control the pace for introducing business process changes to the organization.

Six tips to encourage adoption

Software adoption is an important measure of ERP success. Follow these tips to encourage adoption in your organization:

- **Focus resources where change is most critical.** During your implementation, determine which processes and roles are most important and emphasize training for those jobs.

- **Appoint super users.** For each department or business function, select key users to learn the system thoroughly and serve as resource to others in the group.

- **Upgrade and train on a rolling basis.** Instead of implementing every feature at once, perform a gradual phase-in over time. Doing so will help users absorb changes more slowly and effectively.

- **Practice continuous improvement.** Ask business process owners to recommend software and process improvements their teams will find beneficial. Since cloud software is relatively easy to configure, this will keep the system useful and relevant.

About the Author

Michael Krigsman, CEO of consulting and research firm Asuret, wrote this document. Michael is a recognized, international authority on creating IT project success and related CIO issues. One of the most respected enterprise software bloggers, he has written almost 1000 posts enterprise software, cloud, CRM, ERP and alignment between IT and lines of business. In addition, he has written thought leadership reports for major analyst firm, IDC, on project portfolio management, CRM, social business, and cloud computing. Michael has been quoted or mentioned over 500 times in important blogs, newspapers, television, trade publications, presentations, academic dissertations, and other media. He has also been quoted in almost 20 books. Michael has worked with companies such as SAP, IBM, Lotus, and many others to create consulting tools, methodologies, and implementation strategies related to project and business transformation success. He has presented to Harvard University, University College London, Babson College, Boston University, and Suffolk University. Michael is a social media expert who has approximately 10,000 followers on Twitter; he frequently speaks at industry conferences and events and often receives VIP invitations to enterprise software vendor events.

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