



INTERNATIONAL ERP IMPLEMENTATIONS

THE SHORTEST PATH TO SUCCESS

This paper will introduce you to the key principles of building quality into a global ERP project and mitigating the risks associated with harmonizing processes across your international organization.

INTRODUCTION



THE MOST EFFICIENT PATH TO A SUCCESSFUL PROJECT

Despite 20 years of ERP advancements, international ERP projects still carry with them inherent risk factors, which can give even the toughest and most experienced business professionals an attack of the nerves. Despite this, numerous internal and external factors are motivating international businesses to aim for a standard ERP solution for both their headquarters and subsidiaries. The ever-increasing pressure of global competition and compliancy, for example, are stimulating the need for improvement.

PROMISES THAT OUTWEIGH RISKS

In addition to external pressures, a standard ERP solution offers a promise of consolidation and harmonization, which can help an international company increase administrative efficiency, control costs and optimize processes across the organization. What is more, an often seen, but sometimes unspoken underlying motivation for a standard system is the desire from headquarters to have greater control over subsidiaries. However, reaping the benefits of a standard ERP solution requires a significant degree of preparation, structure and the ability to understand and adapt to local needs.

PRINCIPLES THAT KEEP YOU ON THE STRAIGHT AND NARROW PATH TO PROJECT SUCCESS

How then do you move towards the potential benefits of a standard system while still mitigating the risks? There are a number of principles that can help ensure success. In order to stick to the project timeline and end up with a value-adding solution, it's important to build quality into the process, be capable of adapting to changes throughout the project and to keep an open dialog both within your organization and with your vendor. This paper will take you through these key principles guiding you to the most efficient path to a successful international ERP implementation.

STRUCTURE

HOW TO BUILD QUALITY INTO THE PROCESS

Any IT project can be complicated, but in an international one with multiple players and various local requirements, the complexity is exponential. That is why it is important to structure your project work in a way that, once you get started, will allow you to keep it moving toward a successful result. Such a structure requires that you prioritize tasks in a strategic manner and that you keep the work phases short.

PROJECT PRIORITIZATION: PROCESSES BEFORE FUNCTIONALITY

When a new system is evaluated, ERP users often fall into the trap of automatically thinking about which features and functions they want included right from the start. After all, it is only natural for the individual who relies on the ERP system for work to reflect: “How can I carry out my present tasks with the new system?”

The problem is that while this can result in optimizing specific individual work tasks, it can actually weaken overall processes. It can lead to you automating complex processes, or ones that you do not fully grasp, resulting in a complicated system that you do not fully comprehend. A much better approach is to understand the entire value chain and its processes first. It is a good idea to ask your ERP implementation vendor whether their methodology and tools will help you to keep this strategic process in focus. An example of a tool that can help keep you on the right track is an ROI model that focuses on measurable processes, which can be improved by the new ERP system.

AN ROI MODEL: ONE TOOL THAT KEEPS ERP PROJECTS FOCUSED



Order handling
per employee

Time spent on
consolidated reporting

Number of items
sent per employee

Examples of ROI measurements of processes that can be improved with a new ERP solution

THE SHORTER THE PHASES, THE GREATER THE MOMENTUM

Once you have established what your overall processes consist of, you can investigate ways to simplify them, and finally, look at the most efficient way to implement functionality. By focusing on the automation and optimization of processes that can add the most potential value first, as well as those that are directly solvable, you keep the project phases short and stay focused and on track.

The shorter a project's phases are, the greater chance of success. Always maintain a future phase where you can give attention to unsolved tasks and requests for change. In this way, you can move forward without losing sight of strategic goals, or of important input that comes along the way, and you can push toward the finish line without losing momentum.

FOR GREATEST EFFECT: REPEAT AND THEN REPEAT AGAIN

It is true that greater structure and more rigid processes are not necessarily the right model for every organization. In principle, a company can be run according to values alone without implementing a single formalized process. Nevertheless, in the case of an international ERP implementation, some structure is a must. What is more, because of the numerous processes that are repeatable from country to country, you will gain from the synergy of processes that can be repeated widely in the organization.

THE BOTTOM LINE

Focusing on random features without considering overall processes can lead to a complex and impractical system. Instead, you should:

- GAIN AN OVERVIEW OF THE HIGH-LEVEL PROCESSES OF THE ENTIRE VALUE CHAIN
- PRIORITIZE ACCORDING TO WHERE YOU WILL GAIN MOST FROM SIMPLIFYING AND AUTOMATING PROCESSES
- KEEP PHASES SHORT AND COME BACK TO UNSOLVED AND NEW REQUESTS IN FUTURE PHASES

**The shorter a projects
phases are, the greater
chance of success.**

FLEXIBILITY

THE ART OF ADAPTATION

The last section looked at ways to build quality into your international implementation projects by exploring the value chain and focusing on optimizing processes - rather than randomly adding features that match your current way of completing tasks. Yet in order to formalize and improve such processes, your a degree of flexibility is also required.

In an international organization, you have to know when to apply processes uniformly and when to adapt to local needs. This requires a means of identifying which processes will work across the entire organization as a best practice, when it is time to adapt a process locally as a best fit, and when you should drop an existing or desired process altogether. A good rule of thumb is that if you cannot formalize a process either as a best practice or a best fit, throw it out.

BEST PRACTICE OR BEST FIT?

As noted, a successful international ERP implementation requires a great deal of flexibility. This means that you must be able to distinguish between best practices and best fits, and to choose the right approach depending on the situation. Many organizations fall into the best-practice trap. They try to force a process on the entire global organization in the misguided belief that it is the really the best way to perform numerous concrete actions. However, the reality is often that the so-called ideal process was wanting in the first place. It is in fact not a best practice, but a best-known practice. The result is a loss of trust in the project, which takes time and resources to regain.

CHARACTERISTICS OF BEST PRACTICES VERSUS THOSE OF BEST FITS

| BEST PRACTICE | BEST FIT |
|---|---|
| Global process owner | Local process owners |
| Internally-controlled actions | Market-driven actions |
| Uniform ideal pushed across global organization | Takes into account context of local situation |

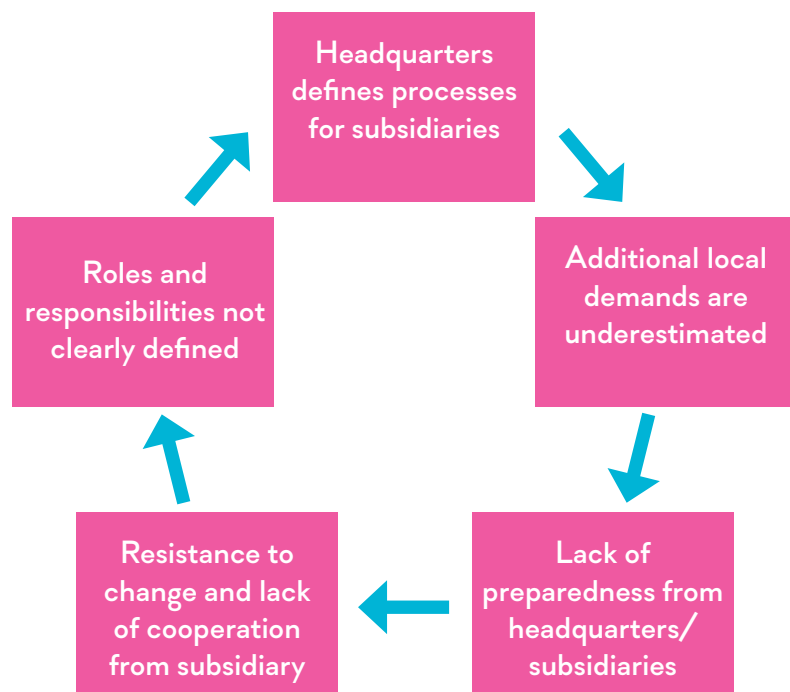
Best practices need global process owners, which is a big challenge in most organizations. The global process owner, as the name implies, has responsibility for optimizing, innovating and securing the most relevant processes for the business. You need to consider whether your business is willing and capable of delegating the necessary responsibility and decision-making capability to global process owners. Consider too what type of organization is needed to make this possible. If global processes are not lead, internal power struggles can ensue, which create discord between different areas of the organization, and the value of your ERP system is reduced.

IMPLEMENTING A NEW ERP SYSTEM IS LIKE STARTING A REVOLT AGAINST THE STATUS QUO

The minute you assume anything about ERP systems, you set yourself up for costly mistakes. The surprises are always buried in the details at the local level, and cannot necessarily be spotted from headquarters' high level view of the main processes. You should therefore never underestimate the complexity of local requirements, such as local language, work culture and technical challenges (See also our whitepaper about Local Deployments: Preparing to overcome the challenges.) Always make sure to involve local stakeholders and be prepared to identify and use changes not in your original plan.

TYPICAL PITFALLS WHEN IMPLEMENTING NEW PROCESSES ACROSS LOCAL SUBSIDIARIES

Imposing processes on subsidiaries without involving them can lead to a vicious cycle of failure.



IN PRACTICE, PLANS NEVER FIT 100%

There will always be small adjustments that you need to make to your plans, which are brought about by internal or external changes. Plans only carry weight if they can be adapted to newly discovered prerequisites for success. Changes in a project can, however, be something you actually seek in order to identify and realize new potential and synergies. Nevertheless, make sure that a formalized strategy and process is in place for handling requests for change and newly discovered opportunities. This will ensure a realistic process and project boundaries, which keep the project practical and feasible.

The implementation of a new ERP system brings about change. It forces new habits and ways of thinking. While some of the well-known processes are actually based on a concrete need, others are merely an echo of earlier work processes with no real basis. Re-examine existing processes and if they are not formalized, and there is no good reason to formalize them, cast them aside.

THE BOTTOM LINE

Clean up old processes and if they are not formalized, and there is no good reason to formalize them, discard them.

- NEVER UNDERESTIMATE THE COMPLEXITY OF LOCAL REQUIREMENTS
- ENSURE A FORMALIZED STRATEGY AND PROCESSES FOR HANDLING REQUESTS FOR CHANGE
- CONTINUOUSLY SEEK CHANGES IN ORDER REALIZE NEW POTENTIAL AND SYNERGIES

A good rule of thumb is that if you cannot formalize a process either as a best practice or a best fit, throw it out.

COMMUNICATION

THE LANGUAGE OF LEADERSHIP

The last section discussed how to formalize processes while still maintaining the ability to adapt to changes and local requirements. This section looks at the human barrier that exists when trying to implement those formalized processes and how to overcome it. (See also our whitepaper about Change Management: How to break down resistance and influence behavior.)

Effective deployment of an international ERP system is as much about people as it is about technology and processes. Nineteen percent of large ERP projects fail, and two of the main reasons for this are a lack of clear roles and resistance to change from users who must adapt to the new system. How do you surpass these barriers? The key to surmounting resistance to change among users of your new ERP system is good communication. It can help you avoid system shortcomings by clearly delineating the responsibility of both internal and external resources, and it can get users on board and eager to adopt the new system.

YOU CAN'T BUY YOUR WAY OUT OF TAKING RESPONSIBILITY

Effective communication with your ERP implementation vendor is just as important as communication within your own organization. It is not possible to simply agree to a price with a vendor and then expect to be able to stand aside, cover your ears and eyes and bear no responsibility. It is a mistake to think that such an agreement can shield your company from errors and issues. In fact, a hands-off approach such as this can even have the opposite effect. Good communication with the vendor is a better approach, and it adds more value in the long run.

It is, for example, critical that tasks and responsibility for the various parts of the project are defined, documented and agreed upon with your vendor. This is the case in a national ERP project, and it is certainly the case in an international project where the solution must be maintained as a standard – and any modifications or extensions of the system need to be strictly monitored to avoid a mess.

TRANSLATE CHANGE INTO BENEFITS THAT MOTIVATE AND INSPIRE

It is one thing to have a clear agreement with the vendor over who is responsible for what in the implementation of your new system. Getting users on the front lines of your international organization to use the system, is a whole other matter. People have a natural resistance to change, but this inclination can be reversed with openness and dialog. To paraphrase Seth Godin: the more people know, the less they yell. That is why, it is incumbent upon you to translate the benefits of change into a language that your organization can understand.

By highlighting the potential benefits of the new ERP system as an enabler for new positive possibilities, both for the organization as a whole and for individuals, you can gain greater organizational backing for the change. If you can, for example, make it clear that the new system will enable customer service reps to have better interactions with customers, or show how it will cut away unnecessary steps of a process, this will weaken their resistance. If users can see the new ERP solution, not as a new system that they must use time and energy on adopting, but rather as a means to improve their work life, then they are much more likely to get on board.

DEFINE, DOCUMENT AND AGREE UPON

There are typically many interested parties spread across several countries, and if the lines of communication are not well-defined, it will be a roadblock for project progress and lead to numerous, and potentially costly, misunderstandings. In order to promote a good implementation process, it is necessary to explain and agree on a solution strategy with subsidiaries. It is also critical to define how requests for change will be handled, decided upon and implemented.

THE BOTTOM LINE

Good communication can help you avoid system shortcomings by clearly delineating responsibility, and it can get users on board and eager to adopt the new system.

- **ACTIVELY PARTICIPATE IN YOUR ERP PROJECT TOGETHER WITH YOUR VENDOR**
- **DEFINE, DOCUMENT AND AGREE UPON THE TASKS AND RESPONSIBILITY FOR THE VARIOUS PARTS OF THE PROJECT WITH YOUR VENDOR AND YOUR SUBSIDIARIES**
- **GET THE BACKING OF USERS THROUGHOUT YOUR ORGANIZATION BY CLEARLY HIGHLIGHTING THE BENEFITS OF CHANGE**

**The more people know,
the less they yell.**

WHAT'S NEXT?

The PIPOL logo is displayed in white, bold, uppercase letters on a solid blue square background. The letter 'O' in 'PIPOL' is stylized with a horizontal line through its center.

At Pipol, we help international organizations optimize, streamline and harmonize processes every day. If your company is planning for increased visibility, efficiency and collaboration across your international organization and want to have the best possible return on your investment, then let's have a talk about how we can assist. Contact MarketingTeam@pipol.com

CONTACT PIPOL

Pipol A/S
Christianshusvej 193
DK-2970 Hoersholm
Denmark
P: +45 7674 3100
www.pipol.com