THE 2014 ERP REPORT: BUSINESS PROCESS MANAGEMENT

A Panorama Consulting Solutions Research Report
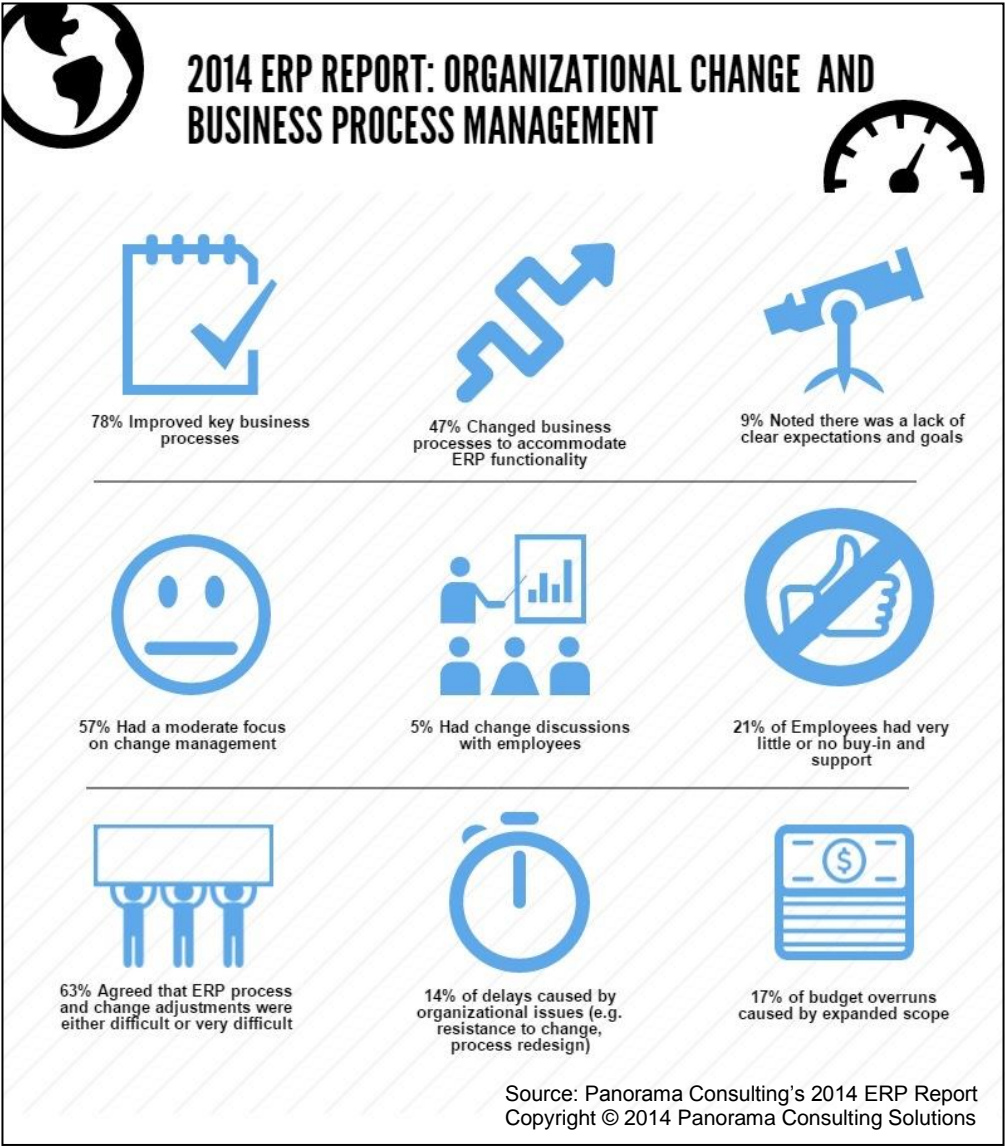
Introduction

While many organizations are familiar with business process management, this is one of the most overlooked success factors in an ERP project. Panorama Consulting Solutions developed the ***2014 ERP Report: Business Process Management*** to investigate the impact of process management activities on project outcomes. The report summarizes Panorama's independent research into the experiences of implementation teams, each with varying levels of focus on business process management. To ensure that our findings reflect the current conditions as accurately as possible, data for this report was collected from Panorama's website (Panorama-Consulting.com) during a recent 12-month period (January 2013 to December 2013). One hundred thirty respondents completed the surveys upon which this data is based.

2014 ERP REPORT: ORGANIZATIONAL CHANGE AND BUSINESS PROCESS MANAGEMENT

78% Improved key business processes

47% Changed business processes to accommodate ERP functionality

9% Noted there was a lack of clear expectations and goals

57% Had a moderate focus on change management

5% Had change discussions with employees

21% of Employees had very little or no buy-in and support

63% Agreed that ERP process and change adjustments were either difficult or very difficult

14% of delays caused by organizational issues (e.g. resistance to change, process redesign)

17% of budget overruns caused by expanded scope

Source: Panorama Consulting's 2014 ERP Report
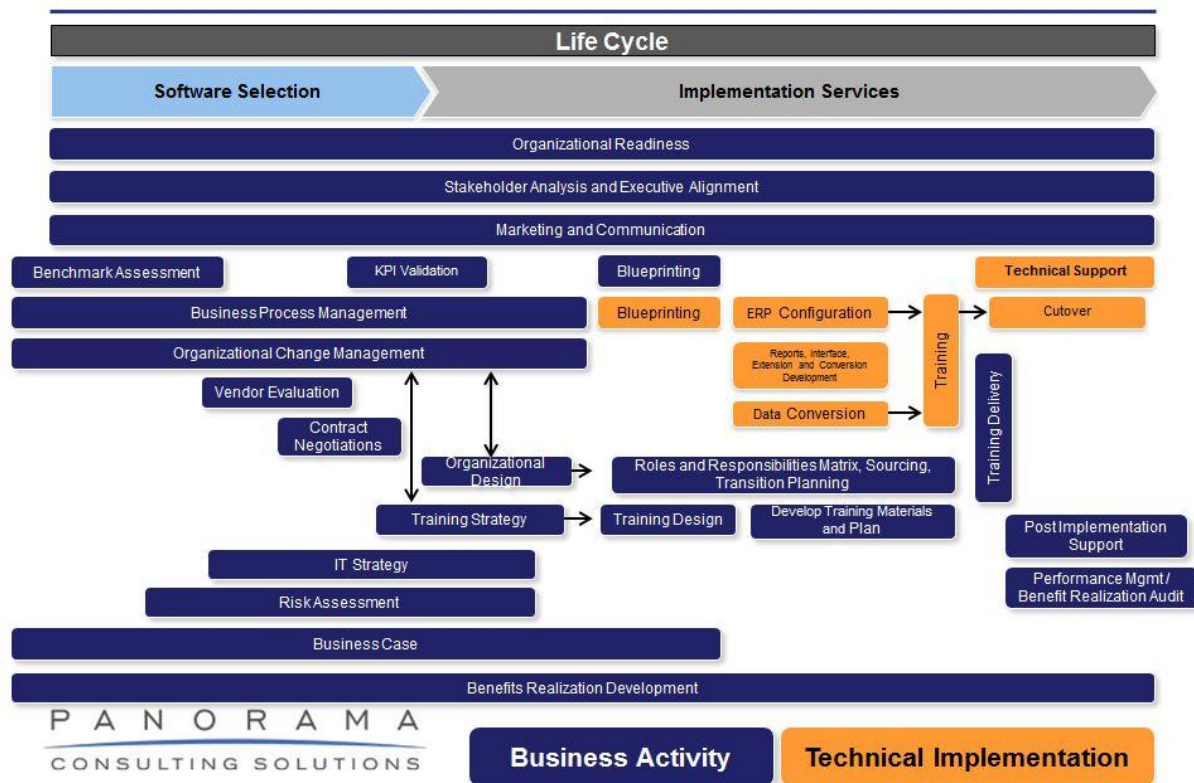Copyright © 2014 Panorama Consulting Solutions

The Role of Business Process Management

Business process management (BPM) is the discipline of gathering organizational needs and understanding business requirements to develop processes that align with a strategic vision. Performed correctly, BPM preserves business processes that are already efficient while finding opportunities for improvement by identifying pain points in the form of redundancies, manual activities and barriers to achieving goals. BPM is a deliberate technique to improve performance using an organization's available resources.

Business process management also aims to identify institutionalized workarounds that are no longer necessary for success. By replacing disorganized and irregular business processes with efficient processes that produce reliable, measurable results, organizations can gain a better understanding of the requirements that will guide their selection of ERP software.

As indicated in the project lifecycle breakdown below, business process management accounts for a large portion of the overall implementation:
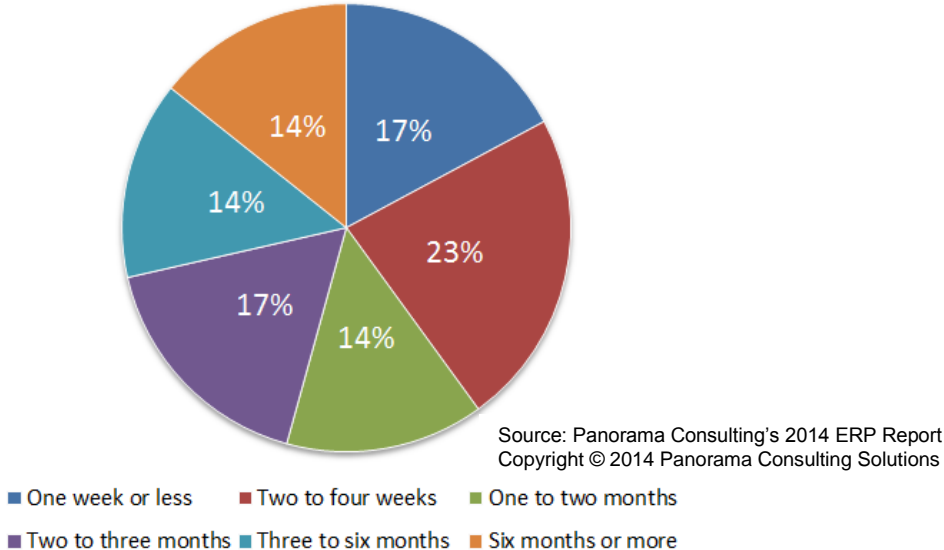
ERP Project Life Cycle

Life Cycle		
Software Selection	**Implementation Services**	

Organizational Readiness		
Stakeholder Analysis and Executive Alignment		
Marketing and Communication		

Benchmark Assessment	KPI Validation	Blueprinting	Technical Support
Business Process Management		Blueprinting / ERP Configuration	Cutover
Organizational Change Management		Reports, Interface, Extension and Conversion Development / Data Conversion / Training	Training Delivery
Vendor Evaluation			
Contract Negotiations	Organizational Design	Roles and Responsibilities Matrix, Sourcing, Transition Planning	
Training Strategy	Training Design	Develop Training Materials and Plan	Post Implementation Support
IT Strategy			Performance Mgmt / Benefit Realization Audit
Risk Assessment			
Business Case			
Benefits Realization Development			

Business Activity   **Technical Implementation**

Source: Panorama Consulting's 2014 ERP Report
Copyright © 2014 Panorama Consulting Solutions

Project Challenges

Operational Disruption

Organizations should expect some form of operational disruption at ERP go-live, lasting anywhere from a week to more than six months. As seen in the graph below, 100-percent of respondents experienced some form of operational disruption at go-live, a quarter of which lasted two to four weeks. Forty-five-percent of respondents experienced a disruption lasting more than four weeks, and 28-percent experienced a disruption lasting more than three months. The fact that 60-percent of respondents experienced an operational disruption beyond one month, suggests that organizations are not taking the time to mitigate risks before go-live. It also points to a lack of due diligence during the critical 60-day post go-live timeframe where further issues can be prevented.

Length of Disruption

Source: Panorama Consulting's 2014 ERP Report
Copyright © 2014 Panorama Consulting Solutions

- One week or less
- Two to four weeks
- One to two months
- Two to three months
- Three to six months
- Six months or more

There is a strong correlation between an organization's level of focus on business process management and the likelihood that the organization will experience an operational disruption at go-live. In fact, 25-percent of respondents who experienced an operational disruption also reported challenges related to business process management. As seen in the graph on the following page, challenges included inadequate requirements definition, resistance to changing "old" processes, poor fit between the software and users' procedures and poor ERP package selection.

Major Challenges
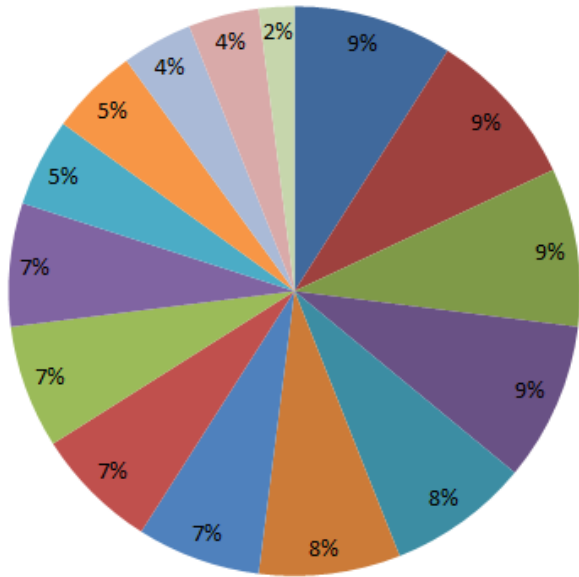
- Lack of staffing resources
- Inadequate requirements definition
- Resistance to change
- Lack of clear expectations and goals
- Lack of overall vision
- Internal resistance to changing 'old' processes
- Unrealistic expectations of benefits and ROI
- Unrealistic budget
- Inadequate resources employed
- Lack of top management commitment
- Unrealistic timeframe expectations
- Inadequate user training
- A poor fit between software and user procedures
- Poor ERP package selection
- Other

Source: Panorama Consulting's 2014 ERP Report
Copyright © 2014 Panorama Consulting Solutions

Process and Organizational Adjustment Challenges

As seen in the graph below, 14-percent of respondents indicated that process and organizational change adjustments were "very difficult," compared to 18-percent last year. Respondents who considered the adjustment "very easy" only increased by one-percent since last year.

Process and Organizational Change Adjustment
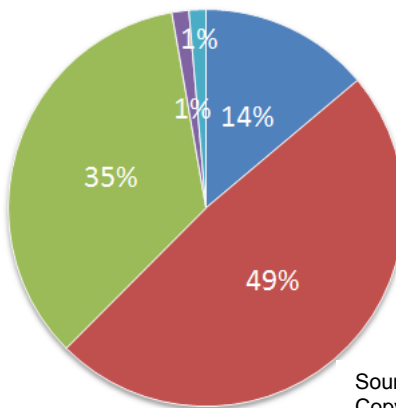
Source: Panorama Consulting's 2014 ERP Report
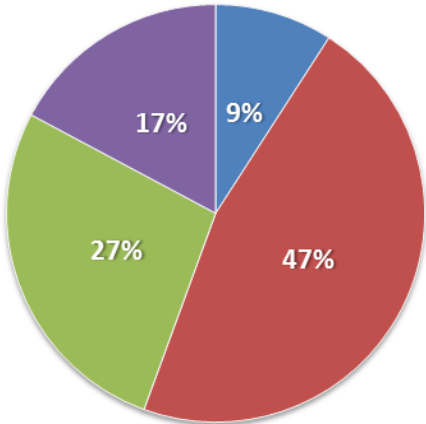Copyright © 2014 Panorama Consulting Solutions

- Very difficult
- Difficult
- Neutral
- Easy
- Very easy

Many of the adjustment challenges posed by an ERP implementation can be mitigated by building a cross-functional project team with different areas of expertise. An organization that staffs its project team with IT subject matter experts instead of a variety of technical, operational and process experts, will struggle to adjust to business process changes.

Focus on Business Processes

As shown in the graph below, nearly half of survey respondents (47-percent) adjusted their business processes to accommodate ERP functionality as opposed to using clearly defined business requirements to drive ERP functionality. Changing business processes to accommodate software functionality may weaken an organization's competitive advantage and eradicate business processes that differentiate the organization from its competition.

Focus on Business Processes

Source: Panorama Consulting's 2014 ERP Report
Copyright © 2014 Panorama Consulting Solutions

- Changed business processes independent of ERP, then selected or configured software to align with new processes
- Changed business processes to accommodate ERP functionality
- Changed or customized ERP functionality to accommodate current business processes
- Very little or no focus on business processes

To avoid budget and timeline overruns, organizations should be wary of selecting software without first evaluating their organization's business processes. Only nine-percent of respondents took this approach. The majority of respondents changed their business processes to accommodate ERP functionality, and the data show a nine-percent increase in this approach since last year.

Business Process Activities

An ERP project is an opportunity to improve business processes as it involves the review of organizational needs and objectives. If resources are being used to implement a new ERP system, they also should be leveraged to redesign business processes before and during implementation.

As seen in the graph below, more than three-quarters of respondents improved key business processes during their ERP project, and an additional nine-percent improved *all* of their organization's business processes. This leaves a mere 13-percent that completely overlooked business process management – most likely in favor of the technical aspects of implementation. The percentage of respondents improving only key business processes has increased since last year, from 53-percent to 78-percent.

Business Process Activities
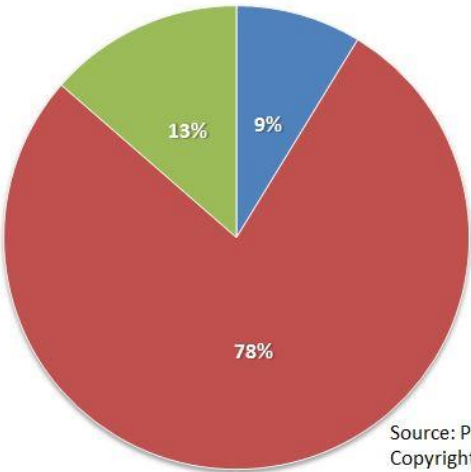
Source: Panorama Consulting's 2014 ERP Report
Copyright © 2014 Panorama Consulting Solutions

- Improved all business processes
- Improved key business processes
- We did not improve any business processes

While business process management can be difficult to perform without bias, a third-party can provide objective feedback and determine the feasibility of proposed changes. Identifying key business processes early in an ERP project sets the stage for process improvement throughout implementation.

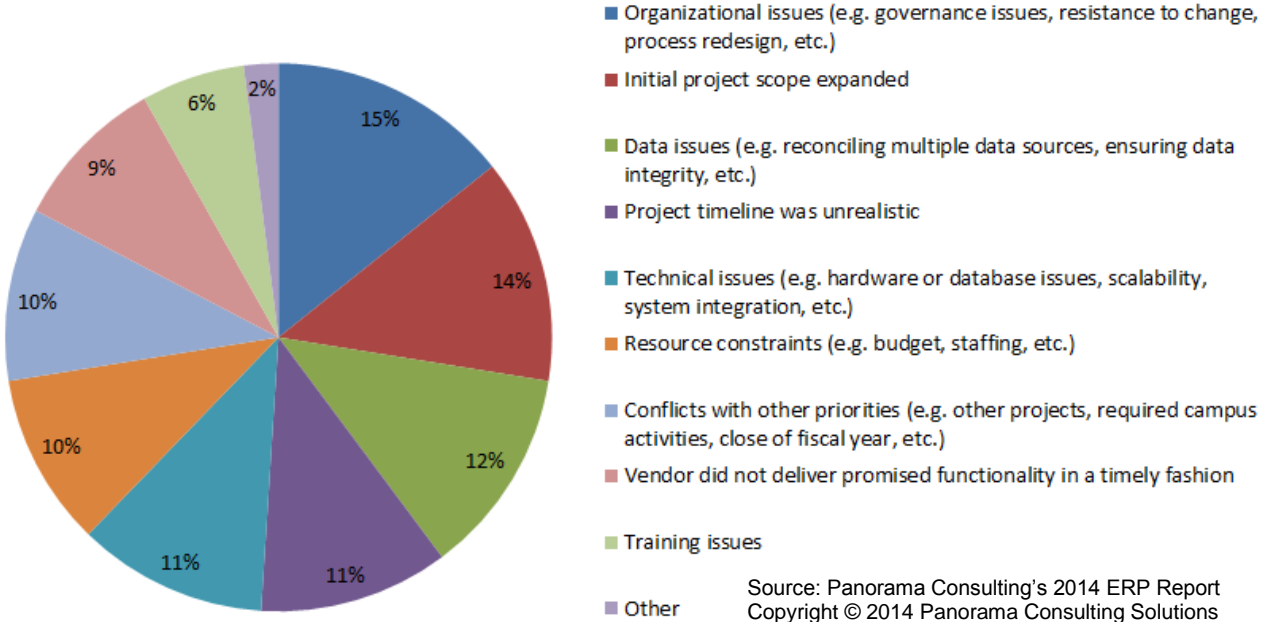# The Effects of Poor Business Process Management

While many organizations believe that technology will be sufficient to drive process change, there are several consequences to neglecting business process management.

Timeline Overages
More than 14-percent of respondents indicated that issues – such as process redesign – were responsible for extended project timelines. Project scope expansion was responsible for timeline overages to a large degree as well. Technical, data and/or functionality issues ranked lower, although these are frequently the project components to which implementing organizations devote the most resources.

As seen in the graph below, only 32-percent of respondents indicated that technical, functional or data-related issues caused their organization to exceed its original project timeline.

Reasons for Timeline Overages

- Organizational issues (e.g. governance issues, resistance to change, process redesign, etc.)
- Initial project scope expanded
- Data issues (e.g. reconciling multiple data sources, ensuring data integrity, etc.)
- Project timeline was unrealistic
- Technical issues (e.g. hardware or database issues, scalability, system integration, etc.)
- Resource constraints (e.g. budget, staffing, etc.)
- Conflicts with other priorities (e.g. other projects, required campus activities, close of fiscal year, etc.)
- Vendor did not deliver promised functionality in a timely fashion
- Training issues
- Other

Source: Panorama Consulting's 2014 ERP Report
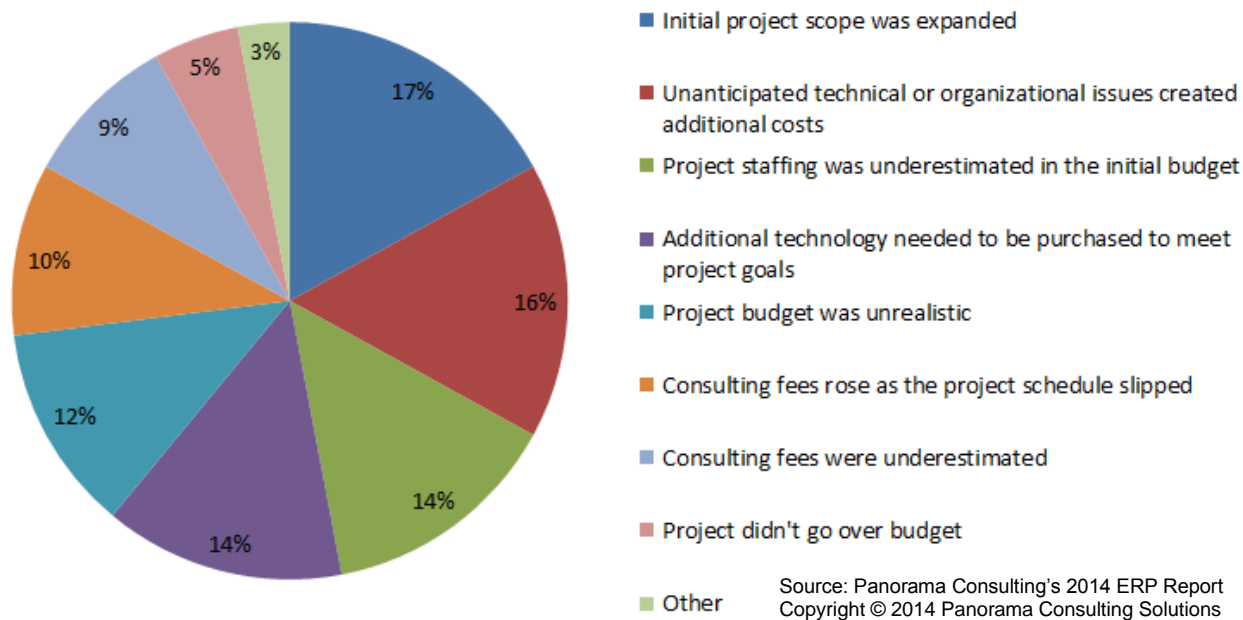Copyright © 2014 Panorama Consulting Solutions

Budget Overruns
While many ERP projects are pursued with the prospect of cost savings, organizations accrue unexpected expenses when the project begins to suffer from the issues outlined above. It is crucial to set realistic budget expectations for your organization's ERP project.

Organizations should ensure that a properly-vetted approval process is in place to determine which scope changes are suitable. Scope expansion is often due to poor governance, poor understanding of the process changes being introduced and poor communication of and training on those changes.

As seen in the graph below, 17-percent of respondents indicated that expansion of project scope inflated their project budget, followed closely by unanticipated technical or organizational issues.

Reasons for Budget Overages

- Initial project scope was expanded
- Unanticipated technical or organizational issues created additional costs
- Project staffing was underestimated in the initial budget
- Additional technology needed to be purchased to meet project goals
- Project budget was unrealistic
- Consulting fees rose as the project schedule slipped
- Consulting fees were underestimated
- Project didn't go over budget
- Other

Source: Panorama Consulting's 2014 ERP Report
Copyright © 2014 Panorama Consulting Solutions

Business Process Management Best Practices

Panorama's business process management methodologies have been developed in concert to assure that each of our ERP software selection, implementation and benefits realization clients optimize their operations. Due to our time in the trenches of manufacturing, financial services, public sector, distribution and retail organizations (among many others), our consultants have devised a number of "best practices" for proper business process management:

1. Let the processes be your guide. Organizations that let ERP functionality dictate all of their business processes sacrifice competitive advantage. In areas of universal commonality (such as human resources or accounts payable), it is well worth it to utilize

"best practices," but in cases when the process itself serves as a key differentiator, then the software must be customized.

2. Convert process owners. Every organization has process devotees: individuals who have brought value based on the processes they have developed. These individuals will likely be the most influential in communicating process changes.

3. Don't sweat the small stuff. Contrary to belief, the technical side of implementation is "small." Make sure your organization isn't mindlessly focusing on the software at the expense of the people and the processes who will drive overall organizational success. As we have seen many times, the technical issues are much easier to solve than the internal issues related to processes and personnel.

Conclusion

While business process management is a critical component of a successful ERP project, organizations spend too little time and money on this important activity. The impact of not devoting sufficient effort to process management is profound, and must not be underestimated. Organizations must shift their focus away from the technical aspects of implementation and towards the things that really count: making sure the business is running in the most efficient way possible and that its end-users and stakeholders have taken personal responsibility for making the implementation a success.

About Panorama Consulting Solutions

Headquartered in Denver, Panorama Consulting Solutions is an IT consulting firm specializing in the enterprise resource planning (ERP) market for mid- to large-sized organizations around the world. Independent of affiliation, Panorama facilitates the evaluation and selection of ERP software, manages ERP implementation, and expedites all related organizational change to ensure that each of its clients realize the full business benefits of their ERP systems. Panorama maintains a global presence with current and planned offices in Chicago, New York, Washington, D.C., San Francisco, London, Shanghai and Dubai.

More information can be found on its website, Panorama-Consulting.com and Twitter feed, Twitter.com/PanoramaERP.