

Where next for ERP?

Introduction

Why read this report?

This report is intended to give senior business decision makers an impartial view of the issues, opportunities and challenges presented by the next generation of ERP solutions.

Who should read this report?

Any senior decision maker in an organisation looking to increase efficiency in their operation or increase the performance of their current ERP investment.

About the author

Jim Foster has over 20 years experience in leading and advising Enterprise Resource Planning (ERP) implementation programmes.

As a Partner in PwC Consulting, he led the UK SAP and ERP Financial Services consulting practices.

He established Timeline Consulting as an independent provider of ERP Programme Management and Advisory services, working with clients to optimize the value from their investment in ERP solutions.



The current ERP challenges

The broken promise

The promise of Enterprise Resource Planning (ERP) systems was that it would be possible to replace a number of systems with one easily customisable, integrated solution operating on a single database and with a consistent set of user screens.

The reality has been different.

ERP systems are often complex to implement, leading to:

- Costs exceeding budget
- Delays in project completion
- Difficulty in responding to changing business requirements
- Focus on getting the solution to work, rather than educating users in how best to use the system to support business operations

Once implemented, ERP systems:

- Require users to adopt a disciplined approach to using the system in the right way at the right time
- Are usually cumbersome to use, with users often needing to access a number of screens to complete a single transaction

However, a lack of focus on managing user adoption allied to the difficulty in using the system can result in users failing to use the ERP system in the way that it was intended. As a result:

- Users continue to use informal systems (paper and spreadsheet based)
- Data maintained by the system is incomplete and inaccurate
- Reporting is time-consuming and inconsistent
- Anticipated Benefits are not fully realised

As a result, it is not surprising that Gartner reports that between 55% and 75% of ERP projects fail to meet their planned objectives. This is in addition to the high profile ERP project failures experienced by companies that include Hershey, Nike, HP and Waste Management.



Next generation ERP The opportunity

What is next generation ERP?

There is now a next generation of ERP solutions, Cloud ERP solutions, that provide an opportunity to deal with a number of the problems that organisations have encountered in implementing and operating the traditional On Premise ERP solutions.

Cloud ERP solutions are typically licenced on a per user subscription basis and provide less opportunity for customisation. The Benefits that organisations can realise from adopting Cloud ERP solutions include:

- Reduced Cost
- Quicker Implementation
- Greater Flexibility

For example, PwC has estimated that, over a 5 year period, the costs of a typical On Premise ERP solution are over three times those of an equivalent Cloud ERP solution.

	On Premise	Cloud based
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Typical One Time Costs (Average)	\$80m	\$7m
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Typical Ongoing Costs (5 Year Cumulative Average)	\$17.5m	\$21.3
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Typical 5 year Costs (Average)	\$97.5m	\$28.3m
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Source: ERP in the cloud. Is it ready? Are you?

Although there are Cloud ERP solutions available, for example Netsuite, SAP Business ByDesign, that can meet the needs of a number of business functions, most Cloud ERP users are adopting solutions that meet the requirements of a specific set of business processes, such as Salesforce.com for Customer Relationship Management, and Workday and SuccessFactors for Human Capital Management.

At the same time, many of the suppliers of On Premise solutions are introducing improvements to their solutions, particularly in the areas of:

- Reporting/ Analytics, to make all data available in real time.
One of the key innovations has been the availability of In Memory Database technology with products such as SAP HANA and Oracle Database-In-Memory
- User Interface, to make the solution easier to use, and to allow them to be used on multiple types of device.
Infor has introduced the Infor SoHo user interface as the standard front-end to its various ERP solutions. **SAP's** Fiori applications deliver a consistent front end to the most heavily used SAP transactions, and its Personas development tool can be used to simplify screens, removing unnecessary fields and information. **Oracle** is also introducing a simplified User Interface for its ERP products.

Consequently, many organisations are adopting a Hybrid ERP approach that involves integrating a Cloud ERP solution with an existing On Premise ERP solution.



Next generation ERP The example

McLaren - Leading the way since 1963

One example of an organisation that is adopting the Hybrid ERP approach is McLaren, whose Chief Information officer, Craig Charlton, stated recently;

“The monolithic ERP is dead.....It’s now about a core central ERP surrounded by business networks and cloud-based solutions, and having a robust integration layer so you can move the data between the platforms”

Benefits of the hybrid approach

Talking in ‘SAP business trends’ Craig talked about the development of his dual axis approach to on premise and cloud based ERP management. Creating greater mobility and access for their workforce throughout the world. This approach has also underpinned any future scale and device access without the need for capital cost traditionally associated with an ERP system refresh.



Next generation ERP The challenges

We consider that there are two key challenges in delivering on the opportunities offered by the Next Generation of Hybrid ERP solutions:

- Solution Integration, and
- Project Execution

Solution Integration

To deal with the challenge of integrating On Premise and Cloud solutions, Gartner considers that companies need to develop a *“Post Modern Application Integration Strategy”*, but predicts that *“through 2018, 90 percent of organizations will lack a postmodern application integration strategy and execution ability, resulting in integration disorder, greater complexity and cost.”*

Project Execution

Unfortunately, the availability of a New Generation of ERP software will not, in itself, result in reducing the percentage of ERP projects that are considered failures, nor avoid project disasters.

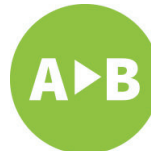
It is important that the lessons learnt from these failed On Premise ERP projects are applied in ensuring the success of Next Generation ERP projects.



Next generation ERP Responding to the challenges

Project success factors

We have identified 8 critical areas for consideration to avoid ERP project failure. We discuss the implications of these factors on projects involving Cloud ERP solutions in more detail in the following pages.



Planning



Resourcing



Requirements management



Benefits management



Data management



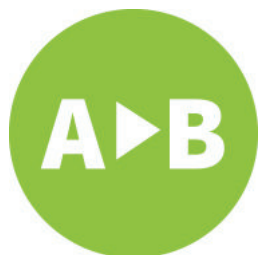
Business adoption



Cost management



Governance



The plan should take into account all the activities, covering the following workstreams, required to deliver a successful ERP project:

- Solution Development
- Solution Acceptance
- Data Migration
- Business Adoption
- Technology Infrastructure Design and Deployment
- Service Introduction

For a number of these workstreams, key considerations in preparing plans for a project involving a Cloud ERP solution are included in the following sections of this report:

- Solution Acceptance (*Page 9: Requirements & benefits management*)
- Data Migration (*Page 10: Data management*)
- Business Adoption (*Page 11: Business adoption*)

Key considerations impacting other workstreams of a Cloud ERP project include:

Workstream	Key Considerations
Solution Development	Take account of all solution development, for example Integration, and not just configuration of the Cloud ERP solution.
Technology Infrastructure Design and Deployment	Inventory existing end user devices (PCs, tablets, mobile phones) to determine that operating software is at the correct version level to operate the ERP solution Security of system access
Service Introduction	Development of processes for managing regular software releases





In resourcing each work stream, key considerations for a project involving a Cloud ERP solution include:

Workstream

Key Considerations

Solution Development

Ensure that, in addition to Solution Configurers, the project team includes Solution Consultants who understand the options available in the Cloud ERP solution and the implications of selecting particular solution options.

Ensure that there are effective working practices in place between developers working on the integration of the On Premise ERP and Cloud ERP solutions

Data Management

Involve individuals who will have ongoing responsibility for management of data quality

Involve data security specialists.

Service Introduction

Ensure that support arrangements include resources that will be responsible for managing the business adoption of regular releases of the Cloud ERP solution





Requirements Management

Requirements Management is the process for defining requirements and monitoring their delivery through the design, build, testing and implementation phases of a project.

Cloud ERP solutions offer less options for tailoring the standard solution to meet user needs. Consequently, there is likely to be a gap between the requirements defined by users and the solution that is delivered. It is important that there is visibility of which, if any, requirements will not be met, that this is approved and is reflected in the anticipated benefits.



Benefits Management

Although almost all projects are justified on the basis of a business case that sets out, and attempts to quantify, anticipated benefits, our experience is that little attention is usually paid to these until after the solution has been implemented. Not surprisingly, the anticipated benefits are rarely fully realized.

This is borne out by the Association of Project Management's The State of Project Management Survey 2016, which reported that:

- 45% of the 317 organisations surveyed identified Benefits Realisation as one of the three most difficult processes to adopt
- 31% of these organisations never or sometimes delivered the full benefits of its projects

Addressing this issue is of significant importance given the expectation of the benefits that adoption of a Cloud ERP solution can deliver.

The key features of an effective Benefits Management process should include establishing for each Anticipated Benefit an Owner who is accountable for the realization of the Benefit. As part of this accountability, the Owner should:

- Define a Benefit Realization Plan, defining the activities to be performed in order to realize the Anticipated Benefits
- Define a Benefit Realization Profile, setting out the level of benefit to be realized over time
- Provide a monthly report containing information on the current level of Anticipated Benefits, particularly taking into account approved changes in scope, and the status of defining and implementing Benefit Realization Plans





In a recent survey by Panorama Consulting, The 2016 ERP Report: Organisational Change Management, Data Issues were the most cited reason (by 49% of respondents) for delays that their organisation had experienced in its ERP projects.

It is important that effective management of data starts early in the project and, importantly, continues throughout the lifetime of the system.

For each Data Object that is required, it is important to:

- Understand how data will flow between the On Premise ERP, Cloud ERP and other solutions, and establish where the “Master Record” will be maintained. This provides a key input to defining the Application Integration Strategy
- Determine Data Sources, Level of Completeness/ Cleanliness, Volumes to be migrated, Method of Extracting, Transforming and Loading, and Ownership

- Establish procedures for testing the quality of Data Loading, and for conducting Dress Rehearsals to confirm the sequence and timing of data load and acceptance during Cutover
- Ensure that the Owner of each Data Object is responsible for maintaining the quality of the data throughout the lifetime of the solution in accordance with agreed data management processes

It is also important to understand how the security of data that will be held outside the organization will be managed. Key questions to be addressed include:

- What are the security arrangements?
- What data encryption is used?
- Who has access to the data?
- Can relevant regulatory requirements be met?
- What happens if there is a security breach?



Many project teams focus their efforts on training users to understand HOW to use an ERP system, but far less effort on WHY they need to use the system in the prescribed way.

We consider that this need for explanation is even greater for Cloud ERP solutions, which are provided typically on a “multi-tenanted” basis where all user organizations use a similar version of the solution. There is the opportunity to configure the solution to meet the requirements of individual user organisations, but these are far fewer than for On Premise ERP solutions. Although this provides benefits in terms of cost and speed of solution build, it puts much greater emphasis on the need to work with users to explain the rationale for, and gaining their acceptance of, adopting a standardized solution.





Adoption of a Cloud ERP solution can be viewed as providing a “low cost of entry” but it is important that the Total Cost of Ownership for the lifetime of the solution is understood.

Key implications to consider include:

Cost Element	Key Considerations
Software	<p>Cloud ERP solutions are sold typically on a subscription basis, involving a monthly fee based on the number of users. As such, it represents a more attractive alternative to the “up front” purchase of On Premise ERP software licences that may or may not be used.</p> <p>However, the annual subscription fees are likely to be greater than the annual licence cost for an equivalent On Premise ERP solution, and over time the total licence costs will converge.</p> <p>There may also be costs for specialist Application Integration software to support the integration of data between the On Premise and Cloud ERP solutions</p>
Services	<p>Development Costs are likely to be lower than for an On Premise ERP solution, given that there is less opportunity to configure the standard solution.</p> <p>However, Business Adoption Costs are likely to be higher given the need to ensure that users are committed to using a standard system that may require changes in working practices.</p>
Hardware	<p>If the solution is operated on a public cloud, the costs of acquiring hardware to operate the solution will be replaced by a subscription for using the public cloud service. As with software licence costs, consideration should be given to the total cost involved throughout the lifetime of the solution.</p> <p>It may also be necessary to upgrade or replace PCs to ensure that they are capable of operating the Cloud ERP solution, and there may be a requirement to acquire additional devices, such as tablets, for users to access the solution.</p>
Resources	<p>New versions of many Cloud ERP solutions are released on a regular basis, and users have to adopt these. Support resources need to be in place to ensure that users understand the changes made to the solution and the implications that these have.</p> <p>The costs of ensuring that data quality is maintained throughout the lifetime of the solution should also be taken into account.</p>





Because of the potential benefits and the low cost of entry of ERP solutions, there is a risk that user departments initiate projects and fail to put in place effective processes for monitoring, managing and reporting the status of the project.

This includes implementing a project organization structure and a set of governance meetings that ensure the flow of accurate and timely information on Progress, Costs, Risks and Issues, and Solution Scope from members of the project team to the Project Manager and then to key decision makers and stakeholders.



The growth in adoption of Cloud ERP solutions is evidence of the potential benefits that Cloud ERP solutions can provide.

However, it is important that organisations approach the project in the correct way to confirm that a Cloud ERP solution is the right solution and, if so, to ensure that these benefits are realized and that the project failure is avoided.



What next?

Your 12 Month ERP Action Plan

We believe that it is important for organisations to be clear about the actions they plan to take in response to the opportunities provided by the Next Generation of ERP solutions. To help organisations to do this, we are offering to develop a 12 Month ERP Action Plan at a Fixed Cost.

To do this, we will:

- Provide you with a questionnaire about the solutions used currently to support your key business processes
- Analyse the responses to your questionnaire and meet with key individuals in your organisation to discuss your responses in more detail
- Develop and present a customised 12 Month ERP Action Plan

The Plan will cover the recommended Actions in one or more of the following categories:

- Define/ Refine Strategy for Adopting Hybrid ERP
- Select Additional Software
- Implement Additional Software
- Enhance Existing Solutions
- Optimise Usage and Benefits of Existing Solutions



About Timeline Consulting

Timeline Consulting is an independent provider of Enterprise Resource Planning (ERP) Programme Management Consulting Services.

We provide a range of services that are intended to assist our clients in ensuring that their ERP implementation programme is delivered to scope, schedule and budget.

We have provided these services to some of the UK's largest organisations on engagements ranging from a number of days to a number of years.

Our team of consultants has hands-on experience of leading and advising ERP implementation programmes for some of the world's largest users of ERP solutions

For an impartial and objective view on your ERP investment please contact one of our experienced consultants



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