How to Manage Change in an ERP Project

A 5-step Strategy for SMEs

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*The **human** side of ERP*

From the outside, implementing a new ERP system is about technology. But at the core, it's a combination of technology, process and people. While all three contribute to the success (or failure) of your ERP project, the people component is the most important. And unfortunately, it's also the one that's most often overlooked. In fact, between 67% and 75% of major problems in business transformation projects can be attributed to issues that center around people.

With that in mind, we've created this guide to help you develop a change management strategy that prioritizes your people. The goal is to ease the transition for your employees so they – and the company – can reap the benefits you're striving for with your new ERP solution.

The big picture: People, process and technology

Looking for information that address the process and technology pieces of the puzzle? Check out the quick reference guide at the end for additional resources to set yourself up for success.

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Basics of change management

When making a significant technology investment, you'll typically start with a business case to prove the need and justify the cost. What's often missing is the unstated assumption that your employees will adopt the system and change to the new way of working. The problem is that you're dealing with people – and people are notoriously resistant to change for any number of reasons. This is where change management comes into play.

What is Organizational Change Management?

Organizational Change Management (OCM) provides a structured approach to managing the people side of change within your organization. It captures anything that helps your employees and stakeholders migrate from the current state to your desired future state.

The goal is to work with your people to ensure your new ERP system is adopted across the organization and that people adopt to new ways of performing their roles. Without a proper change management strategy, you risk the success of the entire project and are likely to see a lower return on your investment.

90%

of companies that include change management initiatives in their projects rated the impact as "very high" or "high"[2]

Source: Third Stage Consulting

How does culture factor into your change strategy?

When it comes to managing change, it's easy to underestimate the value of your company's culture because it's intangible. You can't see, touch or feel it the same way you can with system design, process maps or training documentation. But culture is a powerful force that can either enable and support change or create resistance – it informs the way your people think, feel and behave. Consider how open your company culture is to embracing change; it won't prevent you from successfully implementing an ERP system (or any other change for that matter), but it will affect the way you manage the change.

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How change management leads to ERP implementation success

Think about the list of benefits you're expecting your new ERP system to deliver. The details in your list might vary a bit, but they'll generally fall into these categories:

▸ **Improved efficiency** through process automation and a continual flow of information across the organization.

▸ **Greater visibility and transparency** into business performance, trends and customer activity.

▸ **Cost savings** achieved by improving processes and leveraging automation to lower operational costs.

▸ **Revenue growth** thanks to improved relationship management and the ability to capitalize on data-driven opportunities.

▸ **Better customer experience** by streamlining the order-to-cash process and improving the quality of customer service interactions.

▸ **Happier employees** that experience less job stress with fewer roadblocks in their day-to-day tasks and feel an increased sense of contribution as their output increases.

▸ **Increased flexibility** to respond to changing market and customer needs.

▸ **Improved supply chain management** with greater visibility and better vendor management capabilities.

▸ **A competitive advantage** thanks to a platform that supports growth, adaptability and data-driven decision making.

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Effective change management is the key to realizing these benefits. The more seamless you can make the transition for your people, the greater the return on your investment as you fully leverage the system's capabilities to start seeing measurable results. Here's how change management helps you get to that future state vision faster.
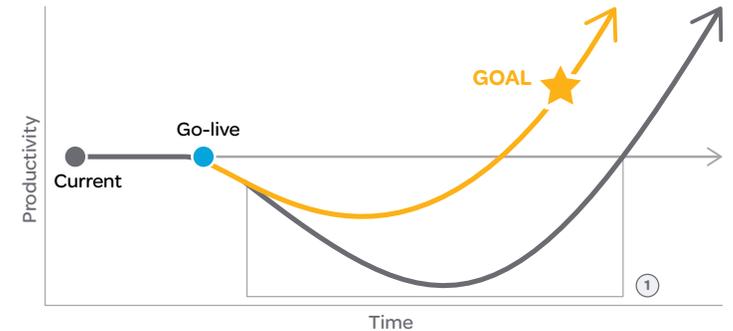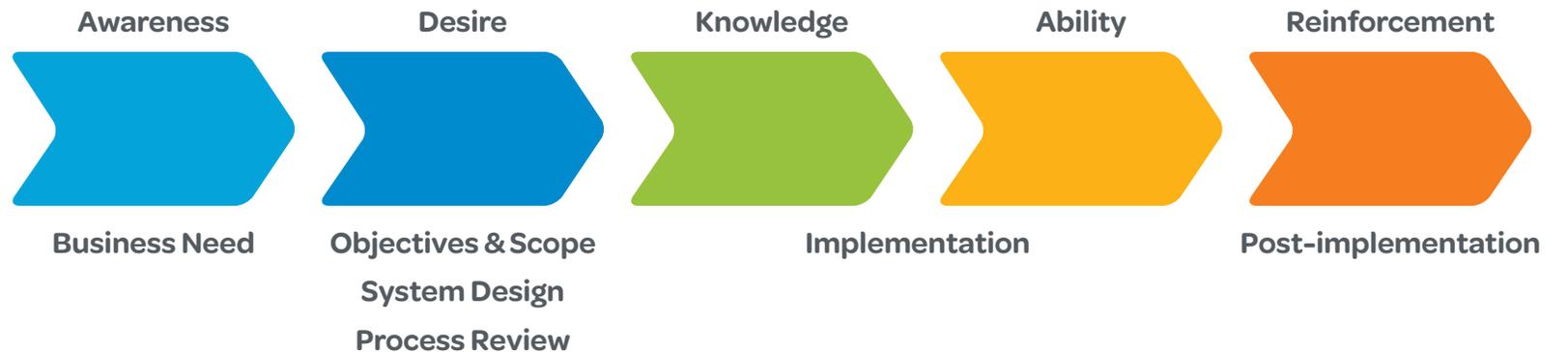

- ✅ Increase the likelihood that your new ERP system will be accepted and used to its full potential by users across the organization.

- ✅ Enable your people to adopt the new way of doing things and help them deal with the inevitable uncertainty that comes with change.

- ✅ Avoid the unnecessary costs that come with poorly managed change. At the extreme, you'll have a hard time seeing a return on your investment in ERP if your people don't embrace it.

- ✅ Foster the teamwork and collaboration required to accept the change and operate more efficiently.

- ✅ Make change resilience part of your culture to support future initiatives as you grow.

- ✅ Boost morale, productivity and quality of work – even through the most challenging parts of the project.

- ✅ Keep your people happy and loyal by reducing the stress and anxiety that comes with change.

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5-step change management strategy

So, if change management is so important, why are so many companies missing the mark? Typically, they don't fully understand what it is or how to do it effectively. But here's the good news – it doesn't have to be complicated. Even for smaller organizations with limited resources, there are some relatively simple steps you can take to guide your team through this period of disruption.

The Prosci ADKAR® Model represents the five tangible and concrete outcomes that people need to achieve for lasting change.[1] This approach helps you see where and why a change isn't working well, so you can fix the parts that need fixing.

Change Management

Awareness	Desire	Knowledge	Ability	Reinforcement
Business Need	Objectives & Scope System Design Process Review	Implementation		Post-implementation

ERP Project Lifecycle

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Awareness

"*Why are we implementing an ERP system?*"

When you tell your team that you're implementing a new ERP system, their first question will be "Why?". The answer to this question is tied directly to your business need. You might be feeling the pain of running disparate systems and feel it's time to simplify. You could be preparing for (or currently going through) a significant period of growth that your current software can't support. Or perhaps your current software will no longer be supported by the vendor. Whatever the reason, share it with your team. Once they're aware of the need, be prepared for follow-up questions like:

▶ When is this happening?
▶ How will this impact me and my role?
▶ Will I be trained on the new system?
▶ Will I have a say in the system we choose?

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Desire

"*What's in it for me?*"

Armed with an understanding of why you're taking on this project, some employees may jump right on board, eager to participate. Others may still need a little convincing. Help them understand the goal you're working toward. Address it like a sales pitch by answering these questions:

▸ Why is the system important?

▸ What efficiencies will it create?

▸ How will it benefit the organization?

▸ How will the change stimulate growth?

For example, if your current software has limitations that are adding complexity to your processes, paint the picture of the future state. Explain what it looks like once these roadblocks are gone – not just for the company, but for the individual as well. Engage with employees one-on-one to understand what's behind their resistance so you can connect their personal motivators and minimize the barriers. Providing opportunities for department representatives to be involved in the selection and implementation process can offer reassurance to individuals that their team has input throughout the process.

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Knowledge

"*How do I use the software?*"

It's common for companies to jump straight to training without getting buy-in from employees first. Your training efforts will be much more successful if your employees are willing to learn because they understand the need and have a desire to participate. So, make sure you've successfully addressed the first two steps before diving into training of any kind.

At this stage, you're focused on helping users learn the basics – how to navigate the system, understanding features and functionality, etc. This could include watching video tutorials, getting a hands-on tour of the system and starting to learn the processes step-by-step. It's about familiarity – allowing users to get used to the new system and learn the basics of what to do.

Process documentation is a critical component of your training and enablement efforts. It's a step that companies often skip to save time or because they don't think it's necessary. Keep in mind that your business processes are changing and that should be documented somewhere. Not only does this ease the change for your current employees, but it makes onboarding much easier in the future.

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Ability

"How do I move beyond a novice user?"

Once your users have developed the knowledge of how to use the software, you may still notice a "knowledge-to-ability gap". Basically, they can follow the steps in your process documentation, but they aren't yet able to perform the tasks on their own. Even if they get through it on their own, it might take them longer than anticipated. And if something goes awry, they may not know how to troubleshoot and fix the issue.

We can't understate the importance of your process documentation. This becomes the guidebook for your team as they transition to the new system. And without that guidebook, your ramp-up period will take even longer.

Hands-on coaching from your super users and additional practice will help your employees develop the skill and ability they need to feel confident before you go-live with your new system. Work through real-life scenarios in your test environment to give users practice doing, and work through their mistakes so they understand how to correct them. Time is a critical factor here – if you rush through training, there's a greater chance that your people will feel unprepared. Allow plenty of time in your project plan for training and build in training time after go-live as well. Once your people get a solid handle on the system, they'll want to learn more. So give them the opportunity to expand both their knowledge and ability.

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Reinforcement

"Old habits die hard."

As humans, we're wired to stick to our habits. Changing your processes will take time and reinforcement is key to make the change stick. If you take a 'set it and forget it' approach, chances are that your employees will revert to old processes (including those pesky old spreadsheets) instead of using your new ERP system.

Check in with your team to see how they're finding the new system and processes. What features are they using regularly? Where are individuals seeing efficiency in their work? Celebrate these wins and recognize where the change has been accepted successfully. Positive recognition goes a long way to demonstrating why the effort was worthwhile and encourages your team to keep going.

If you see people falling back on old processes, ask why. It could be something as simple as moving a field that's often missed so it's easier for users to find. Or you may need additional training on certain processes. Understanding where the barriers are is key to addressing the issue and getting buy-in across your team.

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Bonus change management tips

Create a communication plan focused on clarity and consistency. Ensure you have alignment at the executive level, so your leadership team is sharing the same message to their teams.

Encourage ownership at the individual level by giving people a say in the process and empower your employees to support each other through peer training. Just like prospects put more stock in recommendations from your customers, employees are more likely to embrace the behaviors of their peers.

Setup a direct method of communication (like a dedicated email group) so your team can ask questions or raise concerns throughout the process.

Celebrate milestones along the way and recognize the contributions of both individuals and teams. Focusing on the positive and reinforcing why you're doing this will keep your team motivated during periods of frustration.

Acknowledge what you're asking of your team. Particularly in smaller organizations, your ERP project will impact virtually everyone. Even if it's stepping in to cover someone's workload while they focus on the project, it requires commitment from everyone.

Emphasize the value of your team – early in the process and often throughout.

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Managing change fatigue

Change fatigue is a symptom of change saturation – where the disruptive changes in your organization (like an ERP project) exceed your capacity to adopt them. Perhaps you have so many projects on the go that they can't be easily prioritized. Or you may notice bottlenecks that slow your progress and negatively affect project outcomes. When your employees start to suffer as a result, you're dealing with change fatigue. Not only do fatigued employees produce less, but they take more time off and, at the extreme, tend to change jobs more frequently. On a corporate scale, it can have a noticeable effect on morale, lowering motivation across the team and jeopardizing the success of your ERP project.

Signs of change fatigue

! **Noise** – Employees make more frequent and louder complaints about changes.

! **Apathy** – There's a growing indifference about project changes. Some may disengage completely while others stop asking questions.

! **Burnout** – Employees are visibly tired and run down.

! **Stress** – People seem anxious about the changes.

! **Negativity** – Optimism wanes and people approach the project with cynicism.

! **Resistance** – Some individuals push back on change with more energy, while others don't resist at all.

! **Skepticism** – Individuals express doubt about the success of the change.

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How to minimize the impact of change fatigue

Unfortunately, fatigue is common in ERP projects – often because the change hasn't been managed well throughout the project. The ideal is to avoid this situation altogether with a proper change management strategy. But if you find yourself in the less-than-ideal scenario where your team is fatigued, there are steps you can take to minimize the impact.

8x *Employees are 8 times more likely to report a successful outcome when management communicates openly about the transformation's progress.*

Source: Snapcomms

☑ Keep a steady pulse on your team, watching for the warning signs. Catching fatigue early allows you to offer relief and avoid the long-term negative impacts on individuals, the project and the company.

☑ Gather feedback directly from employees and managers to understand the amount of change they're experiencing and how they're reacting to it.

☑ Check in with employees to see how they're managing the added project workload and adjust project resource allocation accordingly.

☑ Reinforce the goal. An ERP project can span several months, so it's easy for people to lose sight of the destination.

☑ Emphasize stability in other areas so people don't feel overwhelmed by "everything changing all at once".

☑ Communicate progress company-wide and celebrate the milestones to keep the momentum going.

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Tips to smooth your transition to ERP

▸ Success starts in the evaluation phase

▸ Essential implementation activities

Final tips to smooth your transition to ERP

Explore our curated collection of resources designed to make your ERP journey a little less daunting.

Success starts in the evaluation phase

▸ Start your ERP project on the right foot – define objectives that align with your business strategy. Read more ›

▸ Identify the critical success factors that are essential to achieving your objectives. Read more ›

▸ Choose the right ERP partner – it's just as important as choosing the right solution. Read more ›

Essential implementation activities

▸ Start with a clean slate – best practices for data cleaning and migration. Read more ›

▸ What happens after go-live? Must-do ERP post-implementation activities. Read more ›

▸ Maximize the value of your ERP solution with a continuous improvement plan. Read more ›

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We sell, implement and support best-in-class ERP software for small and mid-size businesses. We believe putting people first is the best way to make technology work for them. It's a conviction that sets us apart.

The shift to a new ERP system can be daunting and disruptive. But it doesn't have to be. We ease the inevitable uncertainty that comes with an ERP project, helping you transition with the highest level of empathy, consideration and fit.

T 866 460 7765
E info@projectline.ca

www.projectline.ca

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