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Initiatives: ERP

Technology-centric approaches to ERP that ignore stakeholder engagement cause ERP initiatives to fail to meet business expectations. Backed by the CIO, application leaders responsible for ERP must use these best practices to engage stakeholders in ERP initiatives.

Overview

Key Findings

- Delivering a successful enterprise resource planning (ERP) transformation requires a cognitively diverse set of stakeholders, a set of employees characterized by the breadth they bring in terms of viewpoints, skill sets and experiences.
- An inspiring and clearly communicated picture of the desired future business value that will result from the ERP initiative offers stakeholders within the organization the context they need to understand why the ERP initiative is necessary.
- ERP initiatives garner more enterprisewide support when ERP application leaders demonstrate commitment to improving the employee experience, answering end users' "what's in it for us?" question.

Recommendations

Application leaders responsible for ERP strategy must:

- Create and promote expectations from the start by assembling a cognitively diverse set of stakeholders who can challenge the status quo by innovating with the new ERP solution.
- Gain stakeholders' support throughout the entirety of the ERP initiative by articulating a vision that resonates with stakeholders' perspectives and concerns.

- Turn end-user indifference into enthusiasm by using a “what’s in it for me” approach that shows what current pain points and unmet needs the initiative’s successful rollout will address in the employee experience, thus recruiting end users as champions for the initiative.

Strategic Planning Assumption

By 2027, more than 70% of recently implemented ERP initiatives will fail to fully meet their original business case goals.

Three main reasons for this are:

- The history of ERP initiatives is littered with large, failed projects that resulted in lost revenue, damaged reputations and disrupted careers.
- Many past ERP initiatives have been undertaken to implement monolithic systems based on IT-driven assumptions. Initiatives deemed “successful” from an IT perspective are viewed as onerous and unsatisfactory by end users.
- The emergence of digital business, paired with the poor success rate of ERP initiatives, has resulted in ERP losing its appeal to top talent.

The impact of these trends is striking. Based on over 6,000 interactions with Gartner clients, we estimate that more than 70% of recently implemented ERP initiatives will fail to fully meet their original business use case goals, and as many as 25% of these will fail catastrophically.

These failures invariably involve gaps between end-user expectations and the delivered reality. According to the 2023 Gartner ERP, Procurement, HCM and Finance Apps Survey, 87% of respondents from organizations that have implemented ERP applications have plans to replace or upgrade their ERP applications within the next three years, suggesting that the implemented ERP strategy was not well-aligned to expectations. From the same survey, we found that almost 75% of respondents from organizations with an ERP strategy reported that their ERP strategies were not strongly aligned with their overall business strategy. ¹

A strong alignment between ERP initiatives and corporate strategic goals is one of the top predictors of successful ERP initiatives, and this alignment is achievable when ERP leaders proactively develop an ERP strategy to support the execution (see Figure 1).

Figure 1: Three Key Elements of a Successful ERP Strategy

Three Key Elements of a Successful ERP Strategy



Source: Gartner
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Introduction

Any change initiative can generate resistance, but the negativity that greets ERP initiatives is unparalleled in business and IT.

Analysis

ERP leaders pursuing digital transformation must overcome negativity among end users associated with ERP initiatives. The business processes for which ERP was designed are critical to successful deployments of digital initiatives. Disregarding the need for an ERP strategy to support the execution is a losing strategy.

Of course, appropriate ERP architecture and resourcing remain important. To be successful with an ERP initiative, a flexible ERP foundation and strong integration capabilities are necessary. ERP leaders must identify commoditized business processes run by their organization and separate them from more innovative digital business capabilities (see Use Pace Layers to Align Your Application Strategy With Your Business Strategy).

On the resourcing side, ERP leaders must concentrate on engaging resources supporting the entire business process value stream, rather than a narrow, singular focus on siloed ERP functionalities.

The following best practices are aimed at addressing this last element – the human side of an ERP deployment. They will be especially useful for ERP projects that will support major transformation activities where the buy-in of end users is a critical factor.

Assemble a Cognitively Diverse Set of Stakeholders

End users are often resistant to change because the “old ways” of doing a job are familiar and therefore often preferred. Organizations have designed, tested and refined these processes over the years, and most of the people using them are still doing a good job. The “new ways” must first be proven to be better and to be a good fit for digital business requirements. The resistance is often caused by a lack of understanding regarding the bigger picture and the reasons for the change.

An adequate ERP approach must enable the organization to achieve efficiency and agility in line with digital business goals. The ERP project team will need to apply imagination, inspiration and open minds to align technical choices with business outcomes. This will require the ERP leader to prioritize cognitive diversity when assembling the team, seeking out participants with different ways of thinking, different viewpoints and different skill sets. ²

At the start of an ERP initiative, ERP leaders often – understandably – look to assemble an implementation team that has experience with ERP, complementing that team with people who understand how the organization currently operates. However, this method for creating a team increases the risk of focus being drawn away from the initiative’s transformation potential.

A wealth of knowledge about past difficulties and failures is not as helpful as a vision for a better future.

This is even more true if the future requires dramatic changes to how the business needs to operate. Cognitively diverse teams benefit from the productive synergy of a wide range of experiences, processes, communications and cultural norms. Selecting people with different organizational roles can achieve the cognitive diversity necessary for an effective ERP project team (see Table 1). ERP leaders will need to coordinate with the business to ensure that an appropriate mix of stakeholders are made available for the project and empowered to contribute.

Table 1 shows examples of key organizational roles and the rationale for their involvement in an ERP initiative. (For more detailed descriptions on each role, see Note 2.)

Table 1: Typical Organizational Roles and Suggested Engagement Actions

(Enlarged table in Appendix)

Role	Why Involve Them	When to Involve
Business Process Owners	<i>They are “team captains”</i> The process owner oversees the consistency of business processes aligned with the corporate goals and ensures harmonization of ERP design with all critical business processes for the organization.	<i>As early as possible</i> Ideally at the initial stages of the ideation and design phase, so that they can help ensure that the ERP design includes all required processes to meet business requirements.
Superusers	<i>They are the “team’s fierce supporters”</i> Superusers are the “influencers” who will use their credibility with end users and business managers to drive a positive, embracing attitude. Acting as change agents is a much-needed treat they bring to ERP initiatives.	<i>As the organizational change management planning starts</i> The sooner superusers are mapped and tasked with the role, the sooner the initiative benefits from change enablers. Early involvement can cement their buy-in by giving them an opportunity to help shape the initiative’s value stories. The more they sustain the role after the implementation, the more likely this initiative will follow a successful path.
End users	<i>They can be “ordinary players” looking to become “superstars”</i> End users need to understand where they can contribute in promoting this beyond the “daily job” task. Their motivation needs to come from positive communication that highlights the benefits – both to the business and to the employee experience – of adopting and embracing the solution.	<i>Throughout the initiative execution with frequent engagement actions after implementation finishes</i> Positive communication needs to be applied whenever possible to incentivize the adoption and continuous improvement of the ERP journey. Welcoming end-user input, especially from those with a desire to change and explore new ways of working, should be a standard.

Source: Gartner (May 2024)

Action Steps

- **Coordinate with the business** to identify stakeholders who are best positioned to contribute to future digital business and whose employee experience will be affected by the new ERP initiative, prioritizing stakeholders who are enthusiastic about the initiative and possess credibility within their departments.
- **Invite the stakeholders identified in the previous step** to join the ERP project team, taking care to ensure that the team includes representatives with and without prior technical experience with ERP initiatives and processes.

- **Clearly define the roles and responsibilities** between the layers of participants so that it's clear what they can and cannot do inside/outside their boundaries.
- **Prepare a risk mitigation plan** involving active attention to participant commitment levels as the project moves forward and measures to restore alignment and engagement when necessary.
- **Use ideation and evaluation workshops** to better understand challenges stakeholders are currently facing, while simultaneously building awareness of both the anticipated successes of the ERP initiative and the employee experience improvements that will come as a result.
- **Draft a project plan** with associated milestones to prepare the organization for the coming changes: training, coaching and reexamination of incentives as needed.
- **Leverage the ERP project team's organizational knowledge** to identify additional stakeholders across the business who can serve as "behind the scenes" advocates and early supporters. The team can also identify reluctant stakeholders, actively listen to their concerns and invite them to participate in the process.

Paint a Vivid, Specific Vision of the Desired Future State

The objective of any ERP program is not merely to go live in as short a time as possible. Instead, it is to deliver business value both at and after the go-live moment. ERP is at the heart of digital business, enabling tangible business outcomes. ³ ERP leaders should therefore work with the ERP steering committee and the aforementioned ERP project team to articulate and appreciate a bold, specific vision of the business value that will come from a successful ERP initiative.

Currently, 75% of ERP strategies are not strongly aligned with overall business strategy, leading to confusion and lackluster results. ¹

"Studies have shown that we are often so worried about failure that we create vague goals, so that nobody can point the finger when we don't achieve them. We come up with face-saving excuses, even before we have attempted anything."

— Matthew Syed

ERP leaders and their teams can sponsor ERP evaluation workshops with the goal of highlighting opportunities for innovation and differentiation (see Note 1 for more information on conducting productive workshops). They may also look to Gartner's Peer Connect resources for inspiration. Application leaders can sustain interest in ERP matters over the course of the implementation by linking to these new and interesting ideas, which may paint a colorful and exciting picture of the organization's digital agenda. This link, and the enthusiasm for differentiation and innovation, can then be leveraged to foster engagement with the ERP initiative and identify and attract top internal talent.

The effort associated with an ERP initiative does not end with the go-live event. Socializing an understanding of this fact should be a top priority for ERP leaders. Organizations that are set for continuous value realization must invest time and effort to ensure their target goes beyond reaching stabilization (and subsequent business-as-usual within their ERP initiatives). They also need to invest resources in continuous improvement (not to be confused with increasing levels of customization) to support an evolving application and business environment (see Redefining Steering Committees for Cloud ERP Success).

Organizations that achieve success within their ERP initiatives go beyond the belief that IT is the only team responsible for this evolution. An end-user base that keeps growing in knowledge and participates in the evolution of this composable ERP landscape is a key differentiator. Appropriate ERP governance frameworks, differentiated engagement actions and deployment methodologies adapted to continuous improvement are some of the other key elements that enable a successful ERP journey.

Action Steps

- **Maintain a focus on the objectives** set out in the ERP strategy, ensuring that they are visible from the customer's perspective in addition to the technology perspective.
- **Facilitate workshops** (see Note 1) to identify problems to solve and opportunities to seize. Bring together stakeholders and end users with different perspectives and objectives to gain the advantage of diversity of thought.
- **Set up a team (or teams)** with responsibility for continuous improvement and (re)alignment to business goals, resisting the temptation to treat the "go-live" moment as the end state.
- **Consider establishing an ERP competence center** to ensure alignment of the system evolution with the ERP strategy.

- **Create roles** that proactively reach out to users to check for problems and suggest remedies.
- **Host “hangouts” and/or virtual meeting rooms** in which people can share experiences and “better practices.” An informal team with an opportunity to brainstorm, explore and experiment will often capture novel solutions.
- **Publicize the values that guide ERP strategy**, and then offer rewards focused on promoting ideas and sharing solutions. Leverage methodologies such as gamification and positive communication to promote collaboration.

Turn End-User Indifference Into Enthusiasm

ERP initiatives often focus on risk rather than reward, which is the opposite of the approach that ERP leaders should take. The common “burning platform” concept creates a sense of urgency around a so-called terrible situation. That creates a negative reaction, especially if the “bad things” won’t impact these end users directly.

What’s really needed is a spark of enthusiasm for the positive aspects of an ERP initiative, focusing on the benefits that support and enable key strategic initiatives. Gartner’s interactions with thousands of users from 2018 through 2024 show that transformational ERP strategies are more successful when linked to the organization’s business strategy. Creating an emotional connection between the organization’s purpose, the strategic imperatives and individual self-interest (“what’s in it for me?”) will motivate end users.

ERP leaders can help overcome indifference, fear and resistance by helping end users appreciate the link between the tasks they are being asked to perform and the purpose, mission and vision of the organization. For example, a project to improve the cash conversion cycle through improved invoicing and online payments is unlikely to inspire a wide user base. Perhaps the reason for the change is to free up cash for research and development, because the organization’s products are falling behind the competition. If the accounts payable team is rewarded for the extra cash generated, its members will understand “what’s in it for them,” as well as the importance of their contribution to the organization’s success. Note 3 contains additional illustrative examples.

Action Steps

- **Educate end users** about the strategic goals of the ERP initiative and the importance of their individual roles in it.
- **Encourage acceptance** of long-term change based on ambition, not fear. Resist the impulse to take a “burning platform” approach unless absolutely necessary.

- **Seek input** from the subject matter experts and process owners while developing value stories.
- **Create an emotional connection** and spark passionate engagement between the employee, the ERP initiative and the organization. Communicate using terms and goals that are already familiar to employees.
- **Help users to develop a “what’s in it for us?”** mindset that identifies expected improvements to the employee experience while simultaneously demonstrating understanding and support for the bigger picture.
- **Maintain a critical view of proposed changes.** Ensure changes relate to business benefit and not only to so-called “standard-application best practices.” Focus standardization on nonstrategic functions and allow some extension freedom where differentiation possibilities may exist.

Evidence

¹ **2023 Gartner ERP, Procurement, HCM and Finance Apps Survey.** This study was conducted to obtain data that confirms that initiatives for ERP, finance, HCM and procurement apps are still a high priority for organizations, even though recession and constrained resources call for limited investment in complex projects. It further aims to understand the ERP strategy, plans to adopt flexible and agile ERP architecture, ERP vendor strategy, and modernization plans for ERP applications. The research was conducted online from October through December 2023 among 253 respondents from North America (n = 122), Western Europe (n = 97) and Latin America (n = 34). Respondents were screened to be managers and above who are responsible for ERP decision making at organizations of at least \$50 million in worldwide revenue across organizations from all industries (except the IT industry). Disclaimer: Results of this study do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

² The Benefits of Cognitive Diversity, Forbes.

³ “Black Box Thinking: The Surprising Truth About Success (and Why Some People Never Learn From Their Mistakes),” M. Syed, September 2015.

Note 1: A Method for Running Workshops

The process of challenging assumptions is a form of “reframing,” and is based on well-tested brainstorming and idea-generation techniques from Gartner and other sources. We recommend scheduling workshops for up to 30 people. These workshops should be kept short – around 90 minutes.

Gartner tested this process with more than 20 CIOs and their teams, as well as with mixed groups of participants from different organizations. In our experience, a diverse group of participants from a single organization, bringing together different business disciplines – such as IT, finance, HR, operations – and different business units or divisions often yields the richest and most interesting results.

Note 2: Detailed Engagement Rationale for Enterprise Business Roles

Business Managers

Like sailors aboard a ship, the people involved in ERP projects need a captain who guides and supports them. In a business context, this leadership role has to be undertaken by the business managers of each business unit. They need to understand the journey into the digital future and to share the vision and transform their “crew” into active and enthusiastic supporters.

Business managers have to understand as early as possible what impact the ERP initiative as part of a digital business transformation will have on their people and their business area. To ensure success and appreciate why it’s being undertaken, they should be involved as early as possible – ideally at the ideation and definition of the initiative.

Superusers

The qualities and characteristics of influencers you should look for include: credibility with end users and business managers, a positive attitude and a commitment to the role. All of these attributes make them suitable spokespersons for an ERP initiative. Superusers acting as change agents can be instrumental in driving adoption, and they can continue to play a role in ensuring business ownership of the solution and in sustaining its integrity after implementation.

End Users

With the growing role of cloud solutions in postmodern ERP strategies, users now often play a more active role. They might be involved in selecting and implementing a line of business (LOB) solution for their business department, with little or no involvement from IT, a form of “shadow IT.” Users with imagination and a desire to change and explore new ways of working should be encouraged to contribute. CIOs and application leaders need to reach out and embrace these LOB solutions as a reality, rather than ignoring or obstructing them.

However, to many end users, an ERP solution is nothing but an update to a necessary tool. They will look to superusers and their managers for guidance and support, especially during the transition from an established solution to a new one. When they see early successes and positive changes to the way some of their peers work, they will be more willing to accept the change (see Note 3 for “hangouts” and gamification approaches).

Note 3: Examples of How to Link Daily Tasks With Enterprise Targets

Table 2: Examples of How to Help Users Link Their Daily Tasks to the Organization's Future Targets

(Enlarged table in Appendix)

Organization Goals/Target	Outcome
Vision of organization's desired future state	Be known as the most innovative producer of sports automobiles
Enterprise mission – the organization's present state or purpose	Create environmentally friendly automobiles that are desired by young audiences
Three-year strategic goal (no more than six)	Manage our portfolio of products to increase growth and cash flow, while maintaining corporate sustainability vision
Business outcome needed to achieve goals (many to one)	Improve cash flow available for research and development (R&D) and marketing investments
Business objectives	Improve market presence and visibility as an innovative automobile maker
Metrics (how success will be measured)	Daily sales/receivables outstanding
Business capability affected	<ul style="list-style-type: none"> ■ Order to cash (O2C) ■ Supply chain inbound ■ Supply chain outbound ■ Product life cycle management (PLM)
User roles	<ul style="list-style-type: none"> ■ Accounts receivable manager ■ Accounts receivable clerk

Source: Gartner (May 2024)

Document Revision History

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On Time, On Budget, Fully Functional and Disappointing: Why Expectations Matter for ERP Success - 26 October 2018

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Source: Gartner (May 2024)

Table 2: Examples of How to Help Users Link Their Daily Tasks to the Organization’s Future Targets

Organization Goals/Target	Outcome
Vision of organization’s desired future state	Be known as the most innovative producer of sports automobiles
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