

ERP INSIGHTS

Foundation for a Strong ERP System

BY MIKE MUCHA

A system is defined as “a set of things working together as parts of a mechanism or an interconnecting network” or, more simply, “a group of related things that work together as a whole.” Many governments that are working to implement an enterprise resource planning (ERP) system focus too much on the software application, neglecting the other components that make up the full network. GFOA recommends that all governments keep proper perspective and define their “ERP system” to include the software application, business processes, organizational policies, and the people involved. A proper ERP implementation and sustainable system requires that all these elements work together.

The software is often the newest part of the overall ERP system, and it is probably the most securitized part of any project.

Governments release a request for proposal focused on software, conduct in-depth software demos prior to contracting, and consider the software vendor as the key to building a long-term relationship. And once the project begins, much of the implementation is focused on software design, software configuration, software testing, and software data conversion.

While it's important to use the software as it was designed and to take advantage of embedded “best practices,” it's also true that those best practices are more like standard procedures for the software, which can be configured to meet a wide range of actual business processes—some better than others. And for organizations that have been locked into configurations in legacy software applications for the past ten, 15, or 20+ years, this may be their first real opportunity to consider changes to

roles, policies, or processes. It may also be an opportunity to align those policies or processes with the expectations of a modern organization. While technology can be an incredible driver for change, it requires vision, communication, collaboration, clear expectations, and trust to fully realize its potential.

It's also rare that technology alone will initiate change. After all, these modern technologies are flexible enough to achieve probably the worst possible outcome: configuring the new system to be exactly like the old one. In the course of an ERP implementation project, configuration of the system alone requires countless decisions. Resources get strained, external consultants are working to reduce effort, and the preferred path is often the path of least resistance. In that model, it's no surprise that process or policy change is avoided. In some cases, the project statement

of work from the vendor explicitly labels process or policies changes as out of scope. This would be like finally purchasing a new car after many years to take advantage of the modern safety, comfort, and flashy features, but never turning any of them on because you don't have time to learn what they do.

Anyone who's implemented major technologies like ERP knows these projects are about more than just technology—which is far from the most difficult part. At the core of the challenge is managing large-scale change, doing so with a long-term focus with goal of sustainability after the transformation, and experiencing this change with a diverse group of stakeholders who have unique perspectives based on their roles. With an “enterprise” project, the ERP system must serve the entire enterprise. When managed correctly, ownership of this system is not controlled by one stakeholder but is shared by all.

Fortunately, viewed this way, ERP projects are not alone and share common challenges and breakthroughs with other efforts in government. Knowing this, what lessons from past projects can we identify and apply to future change efforts, hoping to achieve long-term sustainability.

GFOA's Financial Foundations Framework was developed specifically for this type of challenge, although it focuses on budgets. The budget process in local government must serve the entire organization, is not owned by one stakeholder, and when done properly allows for long-term sustainability. Common to both is the need to manage a shared asset where the players involved face a “tragedy of the commons” scenario. In the short term, incentives exist for being selfish; pursuing zero-sum, or win-loss, options; and focusing on a much narrower department or division instead of the entire organization. Taking a more long-term viewpoint, though, the system breaks down, the goal of creating value for the entire system is ignored, and the individual players end up worse off.

ERP system implementations have a lot to learn from Eleanor Ostrum's Nobel Prize-winning research, which the GFOA Financial Foundations Framework was

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based on. These recommendations for effective governance of commonly held resources—like enterprise technology resources—form principles for managing the business process, policy, and people decisions that accompany all ERP implementations.

Establish a long-term vision

People need a reason to collaborate. You will have very little chance of crossing the finishing line of your project if you don't know where that line is. In addition, if multiple stakeholders each have their own definition of what project success looks like, you will have zero chance of meeting expectations. Every ERP project should clearly define long-term goals to communicate scope, to provide objective criteria for determining success, and to provide purpose. The *why* matters. Sports teams and their fans don't get excited to simply play the season. They create goals to win championships, make the playoffs, or beat their bitter rivals. This is why they play. Why are you taking on your ERP project? Going live is not a goal. What do you hope to accomplish? Improved efficiencies, more timely and accurate data, and better reporting are the reasons for taking on this project. We need to make this clear to all stakeholders so they can contribute to the success of the project, celebrate milestones, and help in holding everyone accountable.

Build open communication and trust

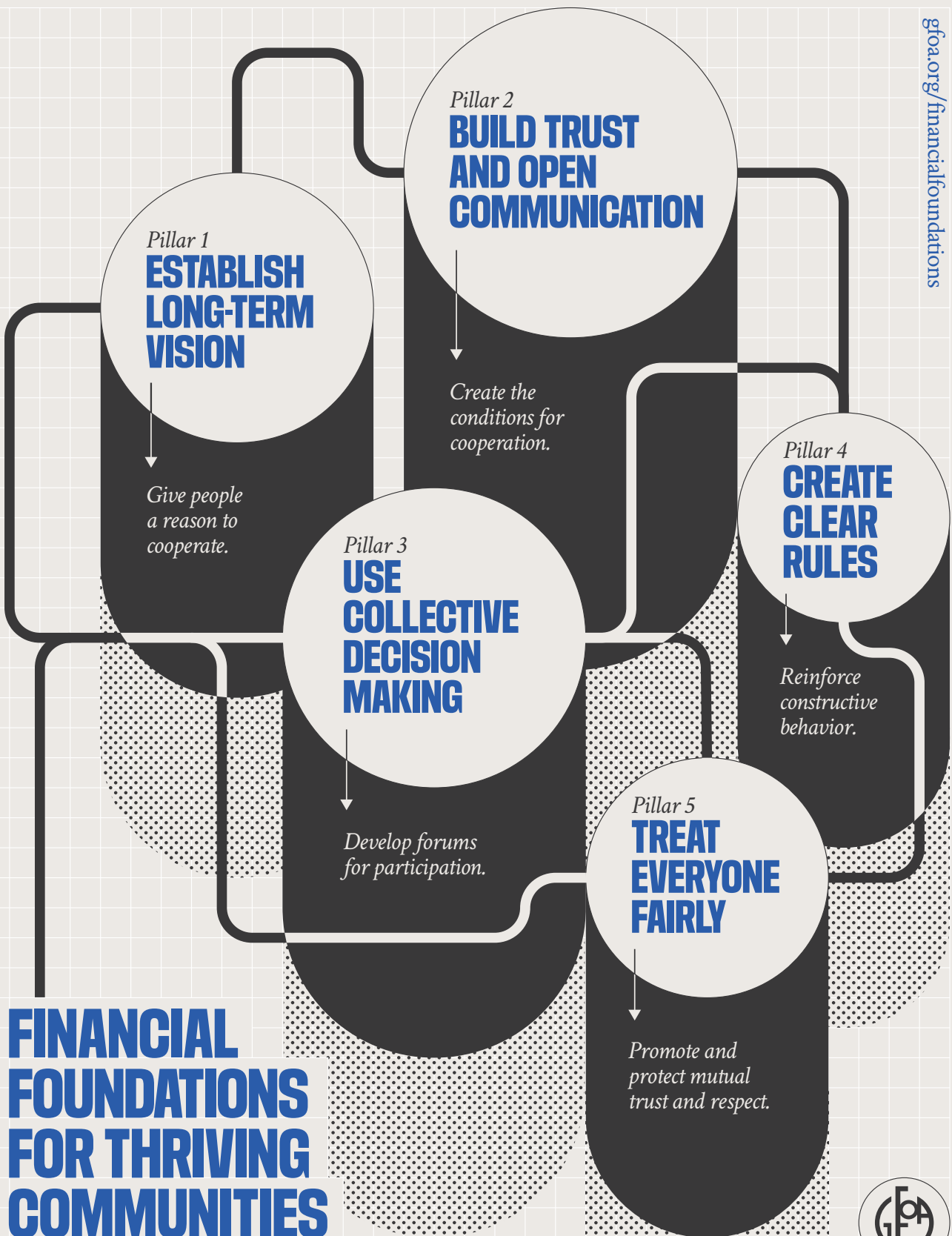
Communication is key. Say what you mean, mean what you say and follow through. ERP projects can be scary. Technology is not scary, but shifting processes, changing roles, and needing to learn new skills to perform in the new system does create stress. It isn't

uncommon for employees to think there may be job reductions in store or that some other favored element of the workplace will be disrupted. With trust, employees may give project leaders the benefit of the doubt or be willing to wait and see. Without trust, rumors start, stories emerge, resistance movements are born, and the concept that everyone is working to achieve a shared vision is gone.

GFOA's approach to ERP project team staffing is designed to improve communications, build trust, and engage stakeholders. Communication must also plan for a flow of information that goes both ways—alerting the organization to key messages and also being open to feedback and open to discussion. For all communications, understanding the audience is important. Think about “what's in it for me,” or “WIIFM.” Answer the following questions: Why are we doing this? When will I need to know? Who is involved? What is changing? And lastly, where can I go for more info or to discuss?

Use collective decision making

Collective decision making can take on many forms. Generally, the more people we involve, the harder it is to get to consensus. But involving the right people can ensure that we vet ideas, gain new perspective, and put the organization in the best position to move forward. One mistake that GFOA routinely sees is leaving operating departments out of the decision making. These stakeholders, representing public works, police, parks, fire, human services, and others, are critical users of an ERP system. In fact, with modern systems, users from operating departments play a huge role completing workflows, bringing information into the system, and initiating transactions.



Modern systems have robust functionality focused on using data in the system to help manage operations. Data on assets, budgets, inventories, employees, contracts, suppliers, and more all has value for both centralized and decentralized users. Without an enterprise focus, those decentralized users will seek other solutions, significantly damaging the benefits of establishing one central data repository.

Every ERP project should set expectations for decision making and overall governance. Give representatives and leaders from departments a seat at the table. This makes it more likely they will not only understand decisions, but also support them.

Create clear rules

All games have rules. All organizations do as well. Enforcing rules or abiding by them becomes so much easier when everyone agrees on what is allowed and what isn't. If you are looking for a good example, I would encourage you to attend a youth baseball game. As parent to two boys who both play, I know that, depending on the league, age group, tournament, or field, the rules can vary. I also know that getting a definitive list of all the rules is pretty much impossible. What happens on close plays or controversial calls? Disagreement and yelling. Even if everyone sees the play the same way, applying vague or misunderstood rules can lead to confusion and chaos. Does a tie go to the runner? Is your hand part of the bat? Where are the baselines? What's a dropped third strike or infield fly? Now imagine what happens when rules for procurement, payroll, timesheets, or budget are not transparent. Pretty much the same thing, albeit perhaps lacking some of the passion, and a few more snarky emails. When rules are defined, everyone can understand what is going on and bad actors can be held accountable more easily—especially if we can be certain they broke the rules on purpose. Most rules in government are well-intended, and explaining not only what the rule is but why it's important can improve transparency and compliance.

Treat everyone fairly

Fairness can be as much about perception as reality; however, stakeholders across the organization notice. Fairness is about consistency. An umpire with a big strike zone can still be fair, if he or she calls it that way for both teams. At some point in an ERP project, you will be tested. Staff may get lazy. Rules may get tested. Exceptions for the unique case at hand will be expected. Leaders need to demonstrate that they understand the big picture. By excusing a policy, are you making it easier for one, but harder for two? Often, exceptions to well thought out policies and procedures create additional work for others and hurt the overall system. ERP software loves standardization. Leaders need to understand that we can't please everyone all the time. Disputes will happen, and it's important to prevent destructive conflicts or tendencies to pick sides. Overall, the aim of the Financial Foundation Framework is to bring diverse stakeholders together to achieve long-term sustainability. Making sure that we all promote and protect mutual trust and respect is key.

Applying the framework

Every project can benefit from a dose of the values represented in GFOA's Financial Foundations Framework. These are essential components of strong leadership in an organization with diverse stakeholders working together to achieve a shared mission. Applying the framework formally can involve integrating the five "pillars" into project charters, steering committee values, or identifying assessment criteria to gauge strengths and weaknesses.

Informally, the framework can be applied through an exercise you can conduct with your project team or steering committee. Leadership qualities can be difficult to define and asking what makes a good leader or what values we need in our project can make for interesting—but often unproductive—discussions. But using the Financial Foundations Framework to structure this conversation can lead to high-quality discussion, valuable

self-reflection, and strategies for learning from the past and improving the way stakeholders work together on a project.

To facilitate the exercise, you will need to assemble stakeholders from across your project—at a kick-off meeting, for example. Break individuals into small groups and ask, "Which of the Financial Foundation Framework Pillars is most important for project success?" Each individual will need to select one and explain their answer. After discussion in small groups, consider having each group report and document why each pillar is important. Following that discussion, ask each group which pillar has been a relative strength for your organization in the past? Is your organization typically better at establishing a long-term vision, building trust and open communication, using collective decision making, creating clear rules, or treating people fairly? Force individuals to pick one and explain. Finally, ask about your organization's biggest opportunity for improvement or its weakest pillar. This simple exercise can provide a roadmap for recognizing past strengths and success while also reminding stakeholders that there is room for improvement.

The five pillars of the Financial Foundations Framework provides a structure for discussion and the ability to repeat the exercise at key points in the project to make sure you are focusing appropriate attention on the three quarters of the ERP system that is not related to ERP technology. ■



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