

# State of North Carolina JLOC on IT

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# Agenda

## Items

Overview of ERP

ERP: Success and Failure

Governance and executive leadership

Change Management

Planning for ERP

Q & A

***ERP is undergoing the biggest level of change since the 1990s***



# The History of ERP: How Did We Get Here?



## **Classicism** clas|si|cism/'klasısız(ə)m

- 1980s to early 1990s
- Classic "best-of-breed" applications
- Happy users, **but data, integration and reporting nightmare**

## **Modernism** mod|ern|ism/'mɒd(ə)nız(ə)m

- Mid 1990s to mid 2000s
- Megasuites rule, centralized IT
- Driven by vendors, **users increasingly frustrated**
- **Integration trumps agility and fit to requirements**



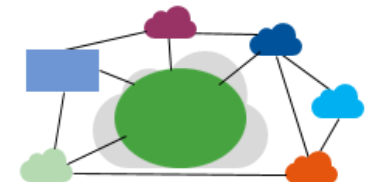
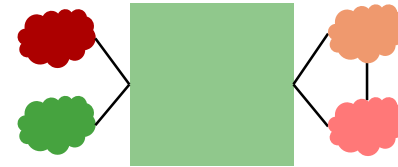
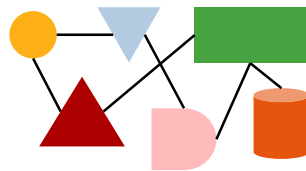
## **Postmodernism** post|mod|ern|ism/pəʊst'mɒdə,nız(ə)m

- Late 2000s to today and beyond
- Suite deconstructed, postmodern ERP emerges – federated deployments
- Driven by external forces and user disillusionment, **users want to take back control**
- **New integration and reporting challenges**

# What Does this Mean for ERP?

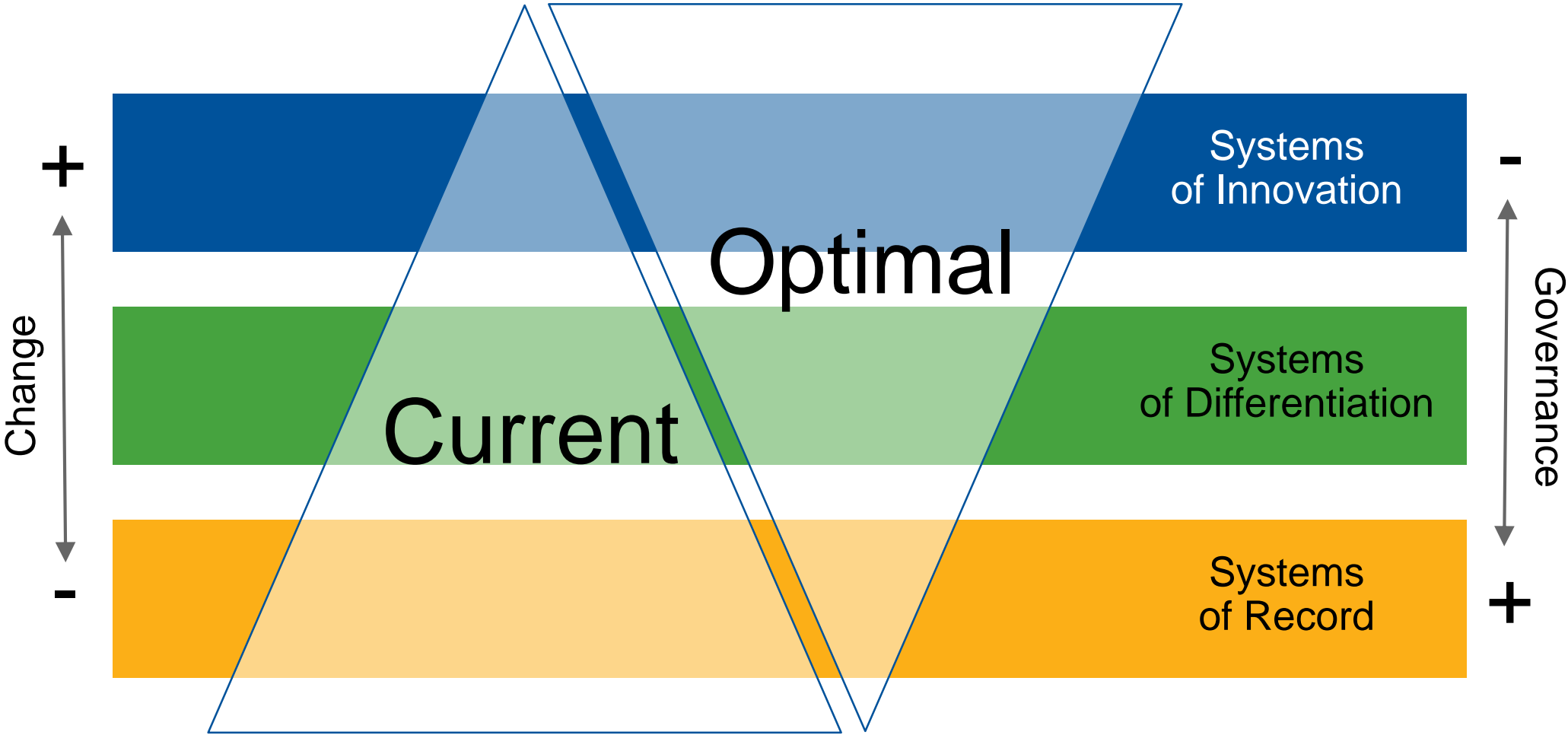
## The Three Eras of ERP...and the Emerging Fourth

	1980s to 1990s	1990s to 2000s	2010s	2020s+
	Best-of-Breed	Monolithic ERP	Postmodern ERP	???
Strategy	Tactical purchasing of "best" solutions by function	Strategy = Vendor	Business-driven	Outcome-driven
Architecture	Fragmented	Monolithic	Holistic and integrated	Multiple Platform
Planning	Little coherence Point agility	Glacial agility Silo Based	Life cycle based on business capabilities	Reduced Stable Core Adaptive Apps
Integration	Complex, point to point	Tight within the solution sets	Federated, loosely coupled and "differentiated" connecting technology	Business-owned Self-connecting
Orientation	Domain function	Transaction data	End-to-end value chains	Data / Information
Governance	Fragmented	IT controlling	Business controlled	Business and IT



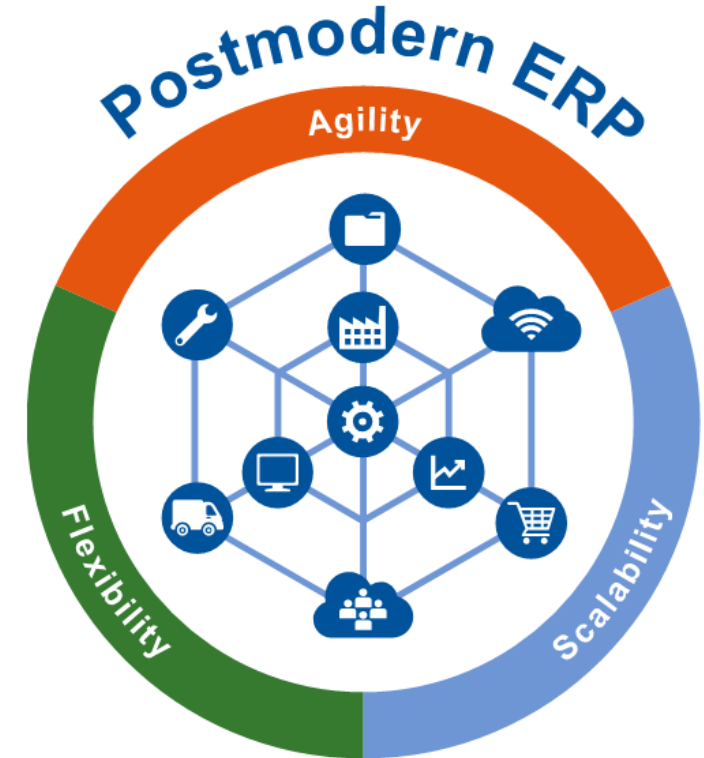
# Think Differently About ERP

# Think Differently About ERP



# Postmodern ERP Challenges

- Postmodern ERP is more agile and outward-facing
- Loosely coupled solutions are replacing the inherent tight integration and lack of agility
- More flexibility and agility, but more responsibility falls to the client.



Source: Gartner (January 2016)



# Digital Disruption Is Here ... All require an ERP Foundation

**UBER**

World's largest taxi company,  
owns no vehicles.



One of the world's largest retailers,  
owns no inventory.

**facebook**

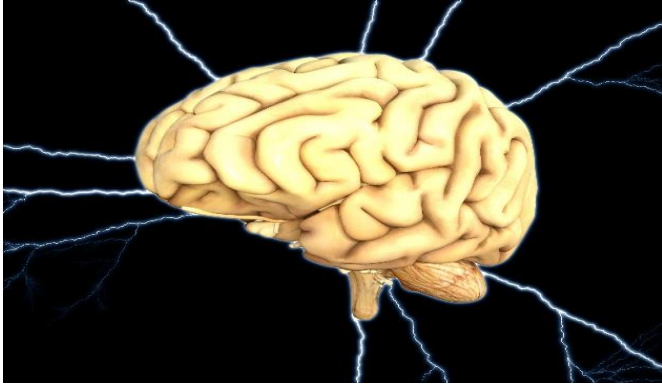
Most popular media site,  
creates no content.



World's largest accommodation provider,  
owns no real estate.

... but none of these would function without reliable business processes for exchanging value. Standard business processes must simply "work."

# New Technologies: Focus on ...



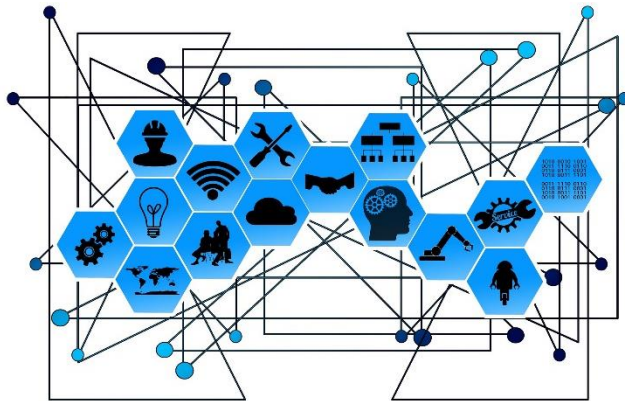
AI, Predictive Analytics and IMC



Managing Multiple Cloud Vendors and Platforms



Integration, Cloudstreams and MDM



IoT and Blockchain

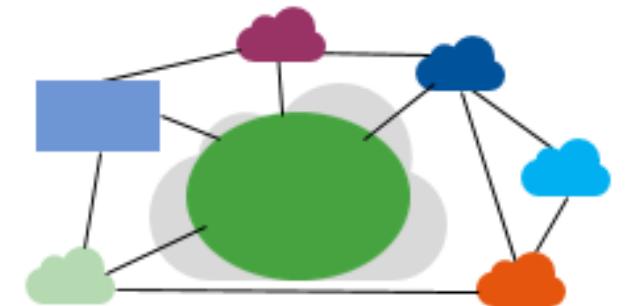
**... organizational value and how you can utilize these to deliver it.**



Robotic Process Automation (RPA)

# So what does the solution look like?

- The core ERP must be renovated, trimmed down to commoditized business processes, **and must not be customized.**
- The core and surrounding applications will not remain static over time. A “**velcro**” approach will be required for non-commodity apps
- **Integration** will become a required key competency
- **Data integrity** must become a core focus. Without accurate data for analysis, a state of the art application portfolio is for naught.



# **ERP Success ... or Failure**

# Gartner said.....allegedly

Business |

Nearly  
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2 Mar 2016 a

Gart  
2018

# 90 percent of ERP projects will fail

## Is Your ERP Destined to Fail?

Inside-ERP Apr 18, 2016 | Comments (0)



Posted on March 4, 2016 by Nick Far



In March 2016, Gartner released an enterprise resource planning (ERP) study that contained some distressing news. According to Gartner, 90 percent of organizations lack an application integration strategy that would ensure the success of their ERP applications. This lack of integration, according to Gartner, will lead to greater costs than most organizations plan for when implementing ERP. In some businesses, those increased costs are equated with implementation failure.



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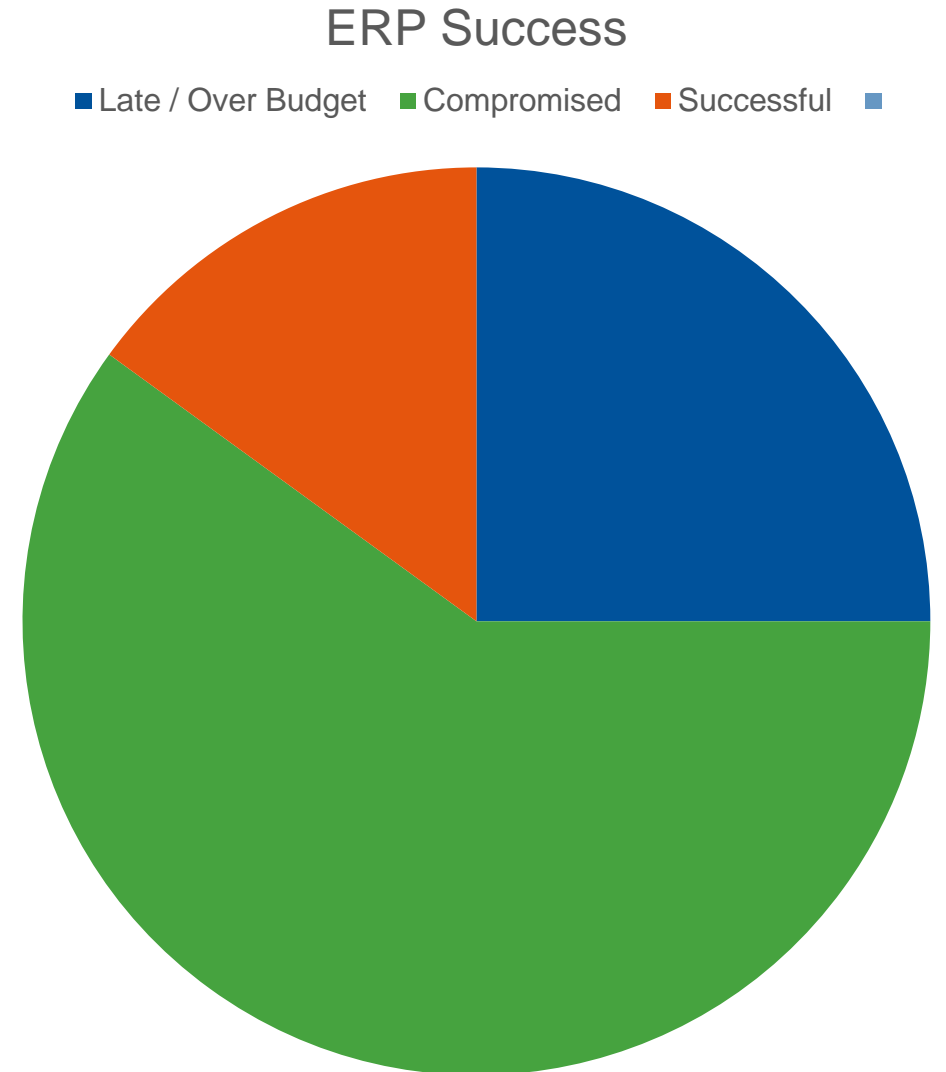


ERP systems are }  
to fail by



# Actually we said.....

- Based on our interactions with clients, we estimate that 20% to 25% of ERP projects are **late and/or over budget**, have **failed to deliver expected benefits** or were **abandoned completely**.
- A further **50% to 60%** are considered **compromised** by the organization in some way.
- The potential risk and complexity of ERP initiatives is increasing due to the challenges created by the emergence of postmodern ERP



# Why Do ERP Implementations “Fail”?

- Clients:
  - underestimate the effort required
  - ignore (or are unaware of) established success criteria

- But the number 1 reason is:

Inadequate Executive Leadership and Sponsorship

*This is usually due to well intentioned executive leadership which is simply unaware of the best practices – and how to avoid common pitfalls*

# Well Established ERP Success Criteria

## Improve chances of success through:

- Strong, committed executive leadership and governance
- Proper budgeting of money and resources (people)
- Evaluation of organizational readiness and change
- Proper scope management – what's in / what's out, what's interfaced and how
- Acquiring an experienced program manager
- Proper system integrator (consulting firm) selection
- Avoidance of extensive (improper) modifications
- Taking steps to increase adoption by end-users
- Proper change management and training



# Typical Public Sector ERP Risks

- Governance
- Politics
- Change management
  - Scope: don't change the software
  - Processes: to improve, processes must change.
  - ERP projects will likely affect established policies, jobs / job descriptions

# **Executive Leadership, Governance & Principles**

# Ensuring Governance is about...



- Making strategic choices and decisions about how the project is executed – *across functional boundaries*
- Providing leadership and direction to the project
- The ability to make, sponsor and enforce the right ERP decisions
- Setting and monitoring policies and principles for the project
- Focused primarily on how the project delivers against the established ERP strategy

*Who can say “yes” for everyone...*

# ERP Principles

“Principles are to strategy what values are to culture. They bind an effort, delineating the limits of action — what will always be true and what will never be true; how a team will always act and how a team will never act.”



1. **Business success with ERP.** The principle directly contributes to the successful implementation and ongoing development of the ERP solutions.
2. **Enterprise specific.** The principle defines a specific policy, milestone or way of working and avoids truisms, such as, "We will exploit to the fullest extent possible our ERP solution."
3. **Actionable.** The principle is unambiguous, so that it enables clear decision making and evaluation of choices throughout the ERP life cycle.

# Sample ERP Principles

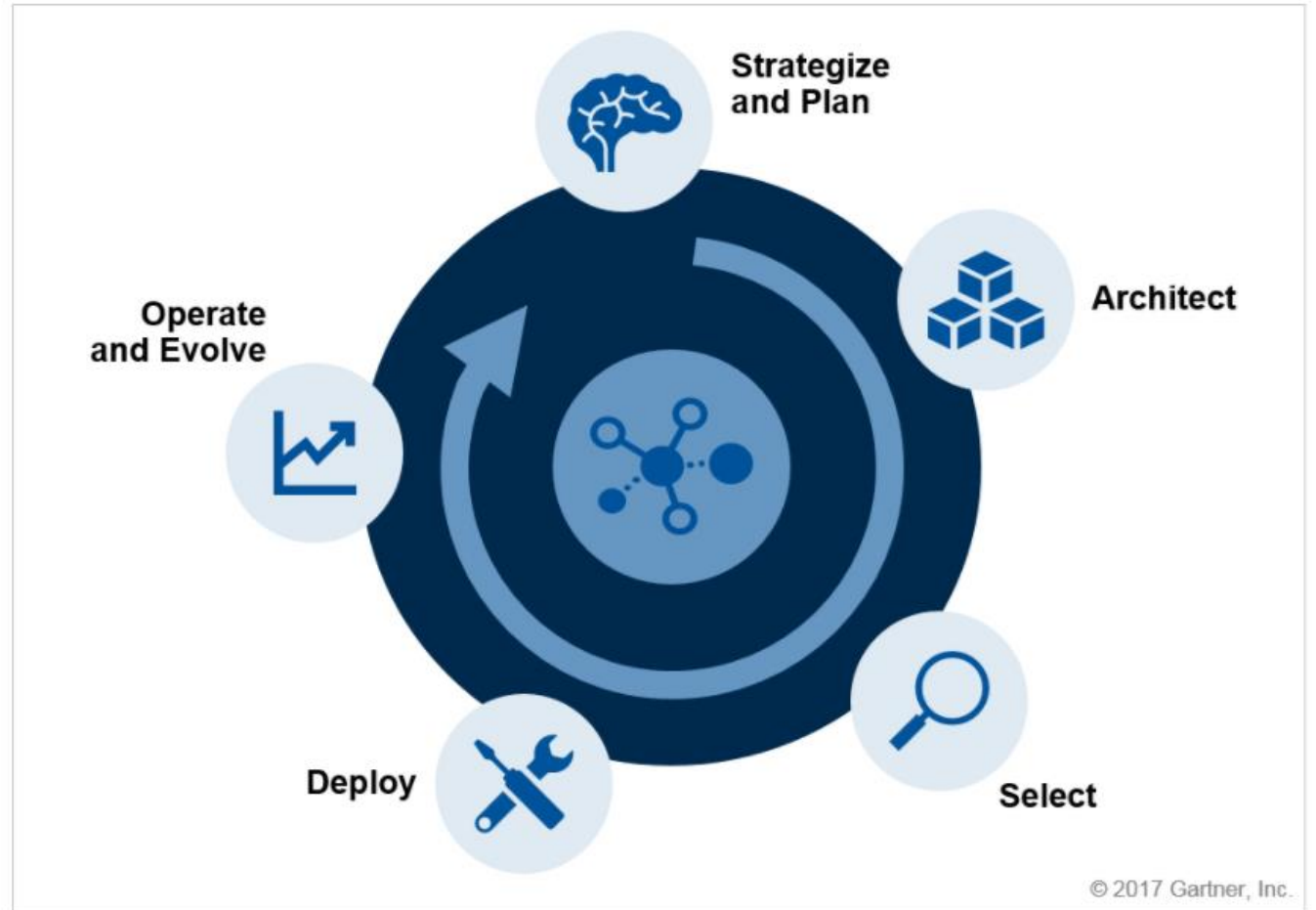
- *“We will focus IT resources on value-added activities and processes to support our core mission – serving the constituency of the State of xxxxxx Department of Revenue.”*
- *“We will adopt a “buy first” approach to application extension. We are not, and should not be a software development organization.”*
- *“We will seek to support differentiating business capabilities with SaaS solutions where there are viable and proven offerings. Vendor X (the provider of our core on-premises ERP solution) will not be the default provider of these solutions.”*
- *“Customization of our ERP solutions will only be approved to support non-differentiating business capabilities where there is a legal, fiscal or regulatory requirement to fulfill. Customization for differentiating business capabilities must provide a business case that includes lifetime cost and benefit, and an identified business owner who is accountable to deliver the benefits.”*
- *“Application management for our ERP solutions is provided by Service Provider Company X. All ERP support and those enhancements (change requests) that fall into our minor category will be delivered by X; any exceptions to this will require authorization by the ERP management board.”*

# Readiness for ERP

# ERP Readiness

- Far too many organizations embark upon an ERP project without fully understanding what it means for them.
- ERP leaders, together with all key stakeholders, must realistically and honestly assess organizational readiness to proceed with an ERP project — and address areas of unpreparedness.
- Staffing is typically a key issue

Figure 1. The Five Phases of the Postmodern ERP Investment Life Cycle



Source: Gartner (April 2017)

# Indicators of Readiness

- Executive Commitment
  - Do the executives know what new business capabilities they expect to get?
  - Have the executives communicated the goals to the organization?
- Business and Organizational Maturity
  - Is business strategy clear, communicated and executable?
  - Is there a robust planning (operational and financial) process across the organization?
  - Are expectations realistic and achievable?
  - Are decision making processes clear with appropriate authority delegated to the right people?



# Managing Change

“The hard stuff is the easy stuff and the soft stuff is the hard stuff”

Michael Hammer

# “Change is difficult”

- Many clients assume that changing a system automatically creates change in the organization
- Effective change does not simply “happen”
  - ERP system implementations may be (and often are) used as an impetus, but implementing a new ERP system will not in and of itself create the change you want to achieve
- Gartner clients polled: What would you do differently?

“63%: Spend more time and money on Change Management”

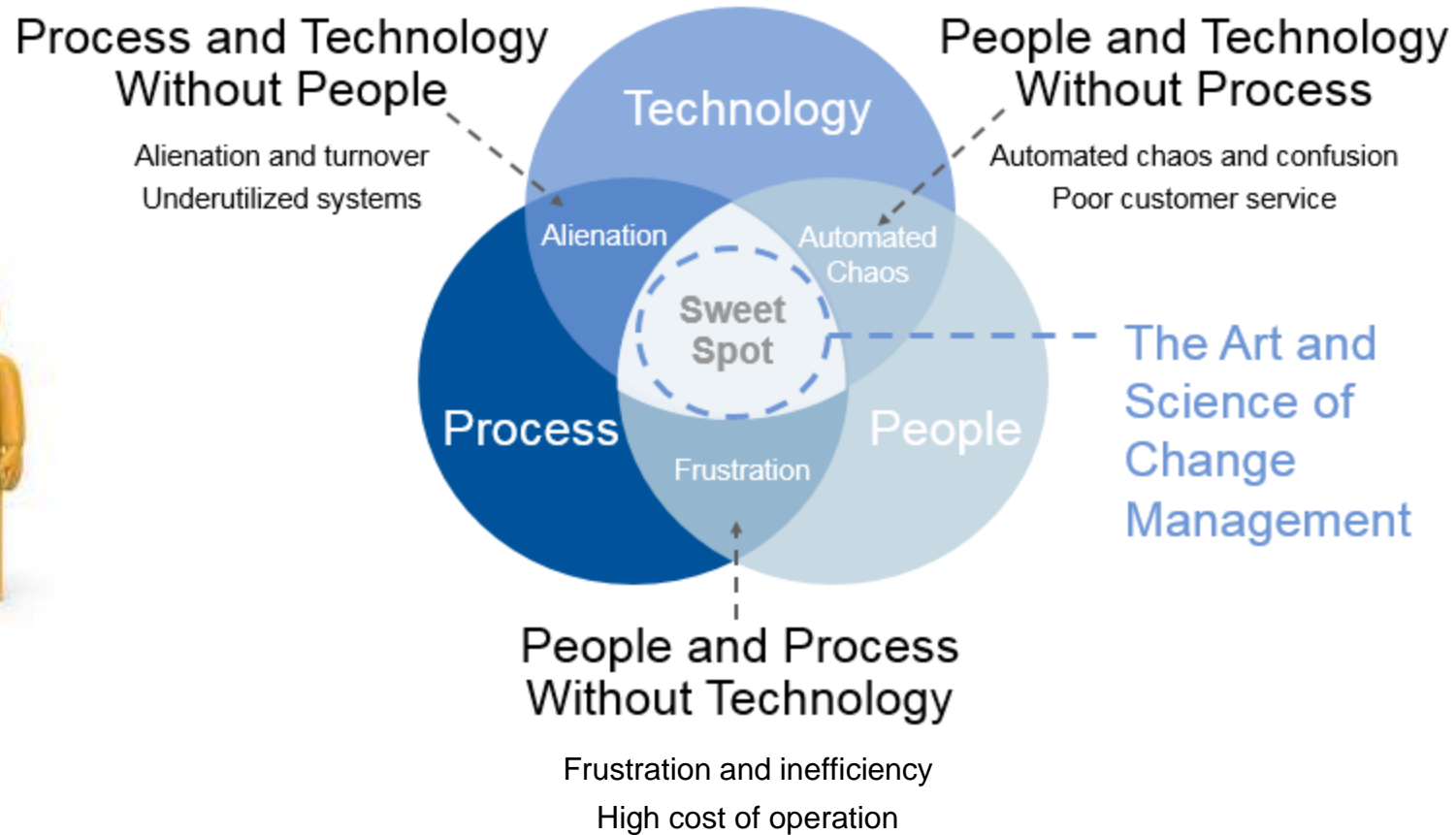
*Use your pick-up truck properly 😊*

# Overcoming the Crushing Inertia of Reality



- "This is the way we've always done it."
- "We tried that, and it didn't work."
- "That's not the way things are done around here."

# Successful Transformation: Process, Technology, and People



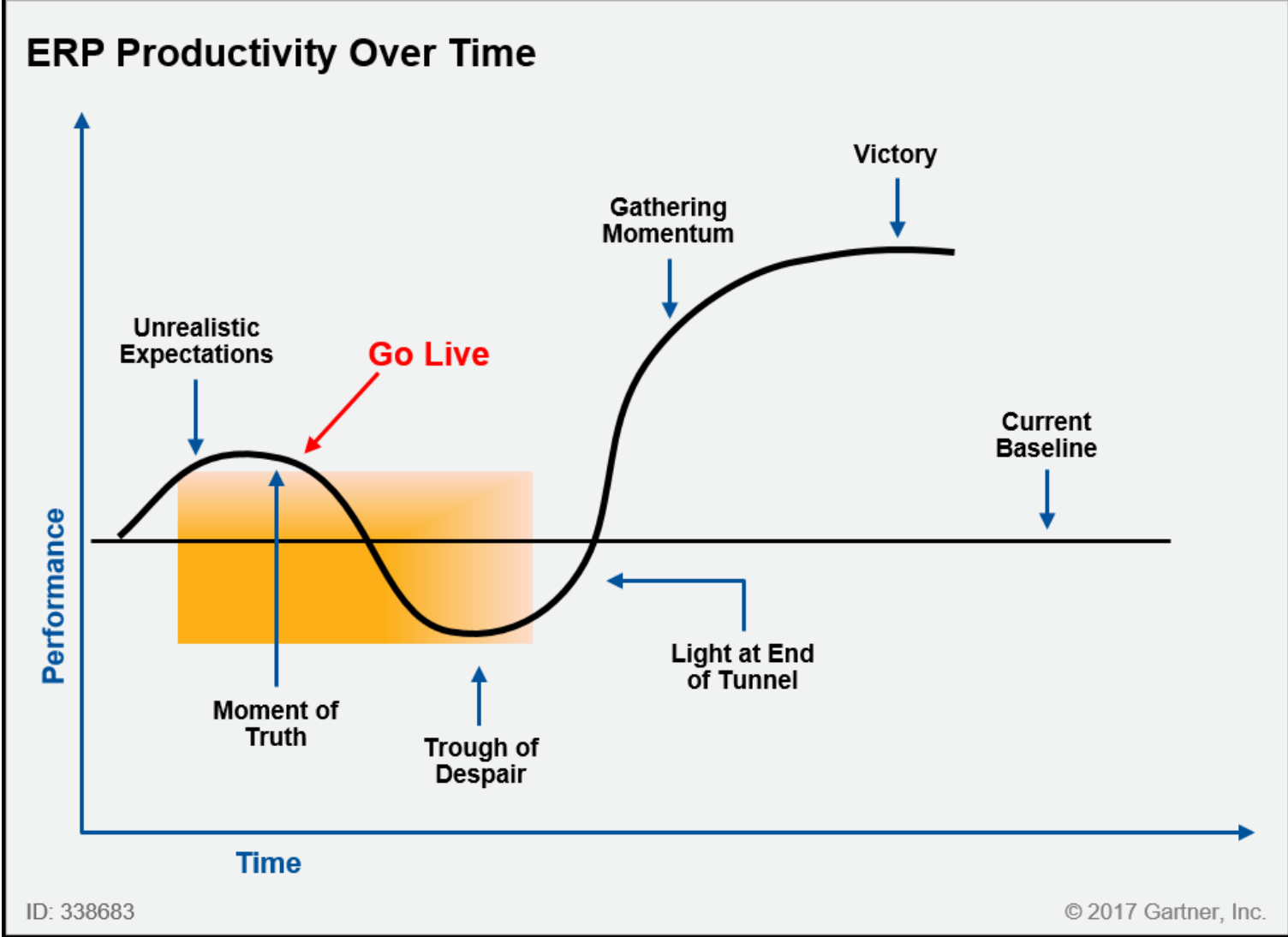
Adapted from: Lean Enterprise Systems, Using IT for Continuous Improvement

[www.steadyimprovement.com](http://www.steadyimprovement.com)

# Ways to Prepare

- As much as possible, identify major change areas
  - Business processes
  - Jobs and job descriptions
- Plan for proper resources
- Involve stakeholders
- Communicate, communicate, communicate
  - Multiple methods
  - Consistent messaging
  - Executives should frequently test the effectiveness of communications

# The Trough of Despair



# Planning for ERP



A scenic landscape featuring a gravel road that curves through a lush green environment. The road is flanked by tall grasses and a rustic wooden fence on the left, and a dense line of trees on the right. In the background, rolling hills and mountains are visible under a clear sky.

*"If you don't know where you are going,  
any road will get you there."*

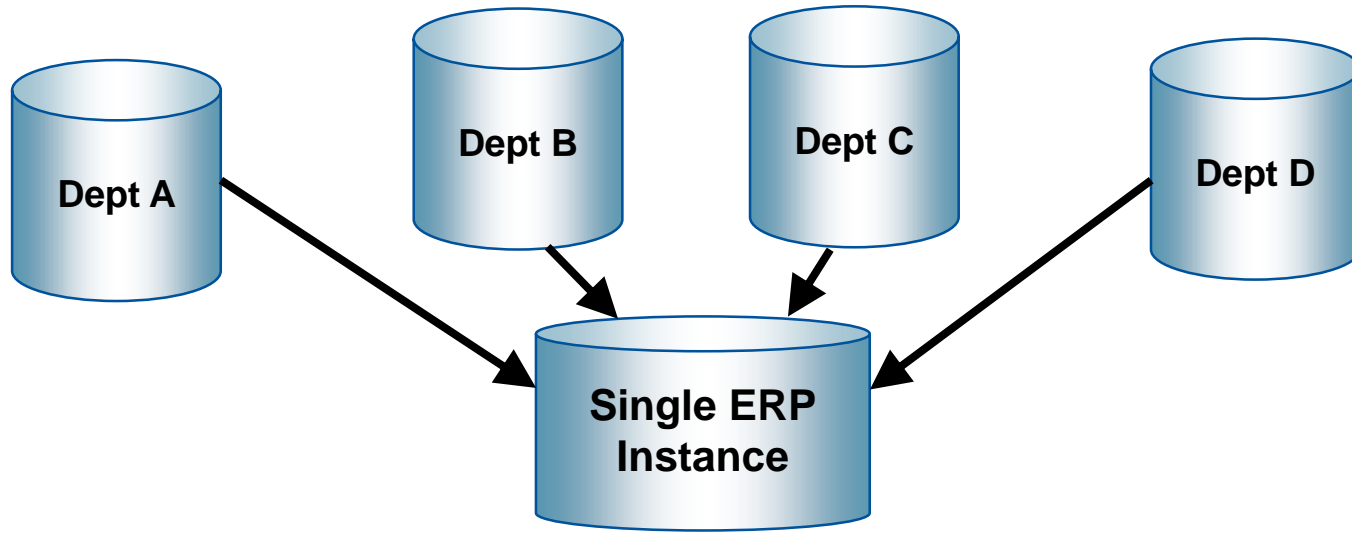
*George Harrison*

# Define What Your Value Propositions (Outcomes) Are

- You wouldn't think of starting construction on a multimillion dollar building without a well-conceived and reviewed detailed plan developed by a professional.
- ... but clients do it frequently with ERP projects.
- And then wonder why ...
  - "We don't see the value."
  - "The system is too difficult to use."
  - "Expectations weren't met."

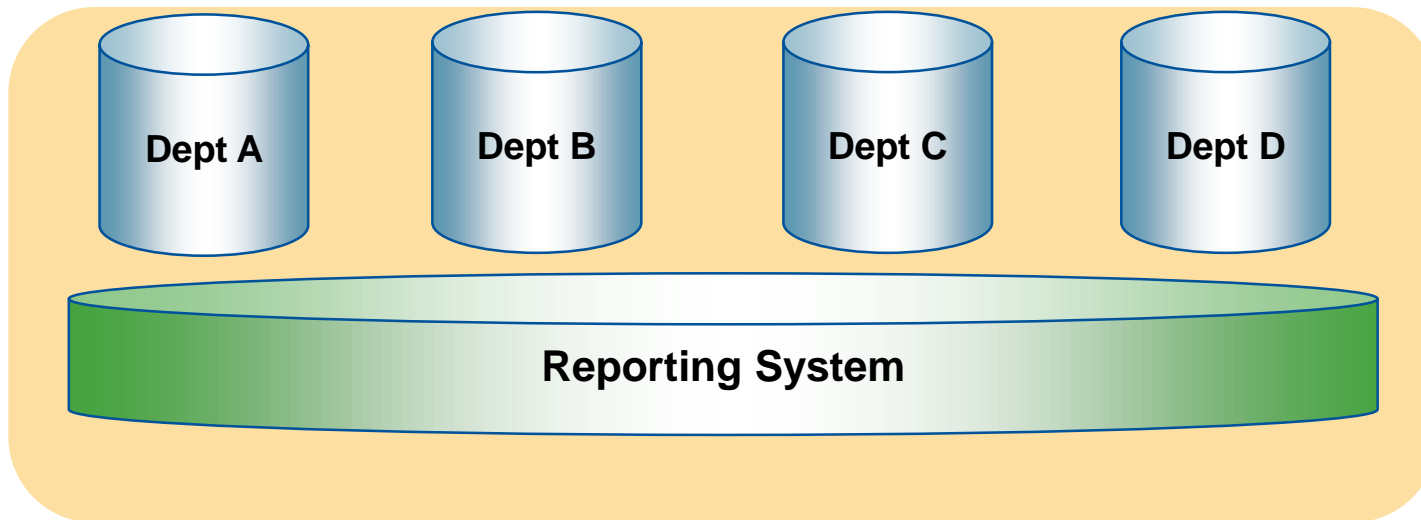


# Single Instance? Multiple Systems?



## Benefits:

- Enabled business transformation
- Significant cost savings and economies of scale
- Process improvements (e.g., month end close reduced by six days)
- Improved compliance
- Greater process flexibility (adapt to change)
- Potential reallocation of resources



## Instance Criteria Cultural Factors

- Governance
- Federated vs Hierarchical
- Processes / business model
- Existing usage
- Geographical disbursement
- Technology environment

# Summary

- ERP is different today – think differently
- Ensure executive leadership and governance are in place
- Know what your desired outcomes are and plan to achieve them
- Ensure readiness and prepare for change
- Change management and training cannot be overstated

*Success is possible! Follow established best practices!*

# Questions?



**Thank You!**

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# Recommended Research

- [2018 Strategic Roadmap for Postmodern ERP \(G00327361\)](#)
- [How to Implement Effective ERP Project Governance \(G00337320\)](#)
- [Make Your ERP Steering Committee Relevant to Help Ensure Success of Your Postmodern ERP Strategy \(G00315973\)](#)
- [Three Steps to Create Principles for Postmodern ERP Strategy and Governance \(G00327870\)](#)
- [Toolkit: Assess Three Criteria to Create Principles for Postmodern ERP Strategy and Governance \(G00327872\)](#)
- [Assess ERP Project Readiness Before Starting — Or Be Prepared for Problems Later \(G00289471\)](#)
- [Toolkit: ERP Project Readiness Assessment \(G00278370\)](#)
- [How to Approach Postmodern ERP Instance Consolidation \(G00291707\)](#)