



CORE STRATEGY

A MODEL FOR GETTING OPTIMAL VALUE OUT OF INTERNATIONAL ERP PROJECTS AND PROCESS HARMONIZATION

This paper will briefly introduce you to the concept of a CORE strategy –a practical and strategic model that helps you get the most out of international implementations where the goal is to achieve greater harmonization of processes across your organization.

INTRODUCTION



A MODEL FOR EFFICIENT ERP IMPLEMENTATIONS

When a company wants to implement a solution in multiple countries, they typically want the same solution implemented everywhere - at least in the countries where the everyday business requirements are the same. With this in mind, international companies need a model to execute international implementations in an efficient way.

A CORE solution is Pipol's term for a solution with well-defined Corporate Requirements, which enable an organization to get the most out of an international implementation.

The goal of a CORE solution mirrors the general aim of an ERP solution. An ERP solution organizes data in a central repository making it available for multiple user groups. Similarly, a CORE solution organizes corporate functionality, reporting and business practices in a package that can be duplicated and put to work in the various company subsidiaries.

Thus, a CORE solution facilitates reusing work done once in multiple implementations subsequently. It helps the organization define and develop a model for implementing once centrally, which they then can reuse many times locally.

A CORE strategy also helps you adjust your strategy to match your organization. The idea of total harmonization throughout an entire international organization is an idea that works better in theory than in practice. In the real world, the level of fragmentation throughout international organizations varies greatly. This paper will give you insight into how a CORE strategy helps you determine what level of harmonization is possible in your organization, and how to achieve the most successful project possible based on your ambitions.

WHAT IS A CORE SOLUTION?

Much more than just an operational deployment manual.

A CORE (COrporate REquirements) solution is a model for a centrally driven ERP project that enables you to get the most out of an international implementation. By defining and developing a model for implementation, it acts as a kind of template for implementing the solution throughout your international organization. However, it is more than just an operational deployment manual. It also comprises an organizational model for how to approach the project from a business perspective, including the following items.

ELEMENTS COMPRISING A CORE SOLUTION

- Overall solution description
- Documented processes and workflow descriptions
- Master data
- Project charter and organization
- Project plan and activity breakdown
- Implementation templates
- Communication plan
- Escalation paths for risks, change requests and incidents
- Parallel change management requirements evaluation and actions

A CORE solution thus covers more than just how to configure the software. It is a complete business toolkit for international implementations. Moreover, it is flexible in the sense that the way you use it depends on the character of your organization and its ambition levels with regard to the consistency of global processes.

The degree to which you harmonize processes via a centralized ERP solution could cover anything from just one business area to your entire business – and everything in between. The ambition level depends on your specific business situation and organization.

What follows are general descriptions of the various levels of centralization a situation would call for.

A SITUATION THAT WOULD CALL FOR A LOW LEVEL OF CENTRALIZATION:

- **Highly fragmented organization**
- **Strong local subsidiaries or distributors who resist change**
- **Compete more on organizational innovation than on transactional efficiency**

In such cases, you would look for a model that allows you to get started fast and still achieve some gains from centralization. For example, you could impose mandatory compliance for a limited area, such as data interchange and reporting, and otherwise let each local part of the organization run their processes locally.

A SITUATION THAT WOULD CALL FOR A HIGH LEVEL OF CENTRALIZATION:

- **Mature, professionally run enterprise where decisions are made centrally**
- **No local resistance to centralized processes**
- **Has a high level of transactions, which need to be optimized in order to be competitive**

For an organization such as this, it would make sense to be highly ambitious centralizing and harmonizing virtually all processes.

A SITUATION THAT WOULD CALL FOR A MEDIUM LEVEL OF CENTRALIZATION:

The majority of organizations lie somewhere in the middle. They have some local offices where they can easily impose centralized processes and others where there will be resistance. Sometimes this is due to a power struggle between headquarters and strong local branches. Other times, it is a natural resistance to change, and other times still, it is because the local conditions actually have different process requirements than what has been proposed centrally. Regardless of the scenario, however, in this type of organization, it makes sense to start with one business area, for example, finance and logistics and leave other more market-driven areas to local management.

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THE BOTTOM LINE

A CORE (Corporate Requirements) solution is a model for a centrally driven ERP project that enables you to get the most out of an international implementation.

- **It functions as both an operational deployment manual and as an organizational and business model for implementations**
- **The level of ambition for harmonization depends on the business situation and specific organization**
- **Most organizations fall into a middle category where harmonization should be implemented gradually**

DEALING WITH HUMAN BARRIERS TO CHANGE

HOW TO GARNER SUPPORT FOR CHANGE

Involving people throughout the organization in planning will help garner support for change when the time comes to implement. With this in mind, it is important that the global process owners align themselves with local process stakeholders. If not, you may have to deal with processes that do not fulfill local requirements or a local organization that does not want to change.

Aside from resistance from local management teams, there are also scenarios where the organization as a whole simply lacks the time and resources to harmonize everything from the start. That is why you should compare the benefits with the time and resources available, and with the actual situation in your organization, and then adjust the scope accordingly.

The scope may be either too ambitious or not ambitious enough. Finding the right balance is ultimately the responsibility of top management. They must link the goals of the project to the business strategy and make decisions in accordance with what is achievable in the current business environment.

COMMUNICATION BREAKS DOWN RESISTANCE

In addition to involving people throughout the organization in planning, continuous communication is vital to garnering support. When local organizations understand why a process change is happening, when they can follow along with the progress, and when individuals know what they need to do to be a hero in the new way of working in the organization, then resistance melts away. A corporate compliance statement from headquarters, communication plans, a manifest, Statements of Direction and other communications can help make people feel involved.

**Continuous communication
is vital to garnering support**

A CENTRAL REPOSITORY FOR UP-TO-DATE COMMUNICATIONS

It is important to make sure communications are always accurate and up-to-date. However, with so many parallel activities and intense undertakings, especially right after you scale up from the pilot project, this can be challenging. If you send emails, for example, communications may not even be relevant or accurate by the time they are taken in. An up-to-date portal, on the other hand, offers a central repository of information where you can control document versions and people can be sure that the information is up-to-date.

With a project portal, people can always check the latest up-to-date status on an incident they reported, the person responsible for a given action, or the progress of an implementation in a given region. Information only needs to be posted once, and if something goes wrong, people know how to deal with it. They are always well informed.

See also Change management: How to break down resistance and influence behavior

THE BOTTOM LINE

In order to break down local resistance, involvement in planning and continuous communication are key.

- GLOBAL PROCESS OWNERS SHOULD ALIGN THEMSELVES WITH LOCAL PROCESS STAKEHOLDERS
- CONTINUOUS COMMUNICATION AND INVOLVEMENT IN PLANNING HELPS BUILD SUPPORT
- A SINGLE PORTAL SHOULD BE THE VEHICLE FOR UP-TO-DATE, ACCURATE COMMUNICATION

SCOPING THE PROJECT

THE ART OF WHAT IS POSSIBLE

ADJUSTING THE AMBITION LEVEL

It is a good idea to start with a high ambition level for your project, but ultimately, you must always consider what is actually possible on the ground level. For example, what is the level of autonomy in local country management? How will the culture and the politics of your organization affect the project? How mature is your organization? The level of maturity may in fact be lopsided with, for example, hundreds at headquarters and two-man start-ups in local chapters.

HOW TO ADJUST THE SCOPE

Business plans are dynamic, and you have to make sure the CORE project has the same frequency as your business plan. If not, it will never reach an end. If a new business plan is coming in six months, then the project should be a six-month project. After all, priorities might change along the way. Rather than relying on a business plan alone, however, a project roadmap enables a more flexible approach.

A project roadmap enables you to move towards a more lean organization gradually. You can, for example, vary the focus of the project according to business units, sites, business areas or processes and solutions used (if some country offices use a different solution than headquarters).

You can devise different strategies for different regions and business units. You could focus initially on finance or supply chain, for example, or your focus could be on a combination of regions, business areas and solutions. This roadmap can be quite complex depending on how fragmented your organization is. It all depends on your organization and business priorities.

RELEASE PLANS

Once you have defined your ambition levels and your business priorities, a planning schedule is needed to align release with your given priorities. This release plan is a combination of technical and organizational disciplines. From a technical point of view, different software packages require different ways of handling lifecycle management. There is a huge difference, for example, between how you handle Microsoft Dynamics AX, NAV and CRM. See also Application Lifecycle Management: How to manage software applications more efficiently - and more wisely.

METHOD FOR RELEASE ORDER

Beyond the specific software solution, you need some kind of rationale for which countries you release the new solution in first. Some organizations want to start with the countries where the implementation is anticipated to be the most simple. In this way, they hope to achieve a smooth pilot implementation where they can test as much as possible.

Other organizations reason that it is better to get past the most complex sites first. Other criteria could be based on where the deployment is most urgently needed, or where the gains are potentially greatest. In some cases, there could also be a political rationale behind the decision, for example, prioritizing a country in order to alleviate a history of dissatisfaction. Whatever the means of prioritization, it is important there is some sort of logic you can point to in order to avoid tension and avert unnecessary debate regarding the order.

ENSURING THE QUALITY OF THE SOLUTION

If the so-called global harmonized solution is really just a standardized solution with no accounting for variations, it can jeopardize the entire rollout plan. The quality of the solution must be high – both from a technical perspective and in terms of processes that fit the reality on the ground. Otherwise, it can result in an overload of support requests, which will tie up the entire organization indefinitely.

As noted earlier, it is, therefore, important that the global process owners align themselves with local process owners right from the start. When defining the overall strategy, the global process owners need to take into consideration that different areas may have different requirements. Global process owners need to establish an overview of who needs what. In order to do so, they must map local sites to functional requirements and group them into logical entities, such as sales offices, logistical or manufacturing sites or a combination of these. This not only helps the project deal with functional requirements in a practical way, it enables you to learn from events and repeat best practices.

Even with the optimal solution, however, details will inevitably arise during localization, which are impossible to foresee. That is why it is important to have a strong support organization that provides maintenance during the transition and throughout operations.

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A PROACTIVE SUPPORT ORGANIZATION

The support organization should proactively involve people throughout the organization with insight into the operations, and prioritize requests wisely. A good roadmap feeds change requests to the application manager, who evaluates it and schedules it for a time that makes sense, taking off pressure from front-line support of local level.

If the ambition level and maintenance level are not aligned, then you can expect trouble. In such case, either the quality of the solution and level of support must be raised, or the level of ambition must be changed to a more pragmatic approach - even if this compromises on the value that will be added.

THE BOTTOM LINE

You need to adjust the scope of the project to match your refined ambition level

- **A ROADMAP ACTS AS A BLUEPRINT FOR BOTH OF TECHNICAL AND ORGANIZATIONAL SCOPING**
- **AN UNDERLYING LOGIC TO THE RELEASE ORDER WILL AVERT UNNECESSARY DEBATE WITHIN THE ORGANIZATION**
- **THE QUALITY OF YOUR SUPPORT MUST MATCH THE PROJECT'S OVERALL AMBITION LEVEL**

A CORE (Corporate Requirements) solution is a model for harmonizing processes across an international organization. It covers the local implementation of ERP solutions, aligning organizational planning with local offices, and not least, applying strategic considerations that will help you get the most out of your project. A CORE project helps you to get the most out of harmonization by reusing implementation processes, dealing with local resistance and planning in a way that matches the character of your organization and your level of ambition.

WHAT'S NEXT?

The PIPOL logo is displayed in white, bold, uppercase letters on a solid blue square background. The letter 'O' in 'POL' is stylized with a horizontal line through its center.

At Pipol, we help international organizations optimize, streamline and harmonize processes every day. If your company is planning for increased visibility, efficiency and collaboration across your international organization and want to have the best possible return on your investment, then let's have a talk about how we can assist. Contact MarketingTeam@pipol.com

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