Preparing for a Smooth Move to the Cloud.

Build the Strategic Foundation for Successful ERP Project Execution

Driving Project Success

Risk Management
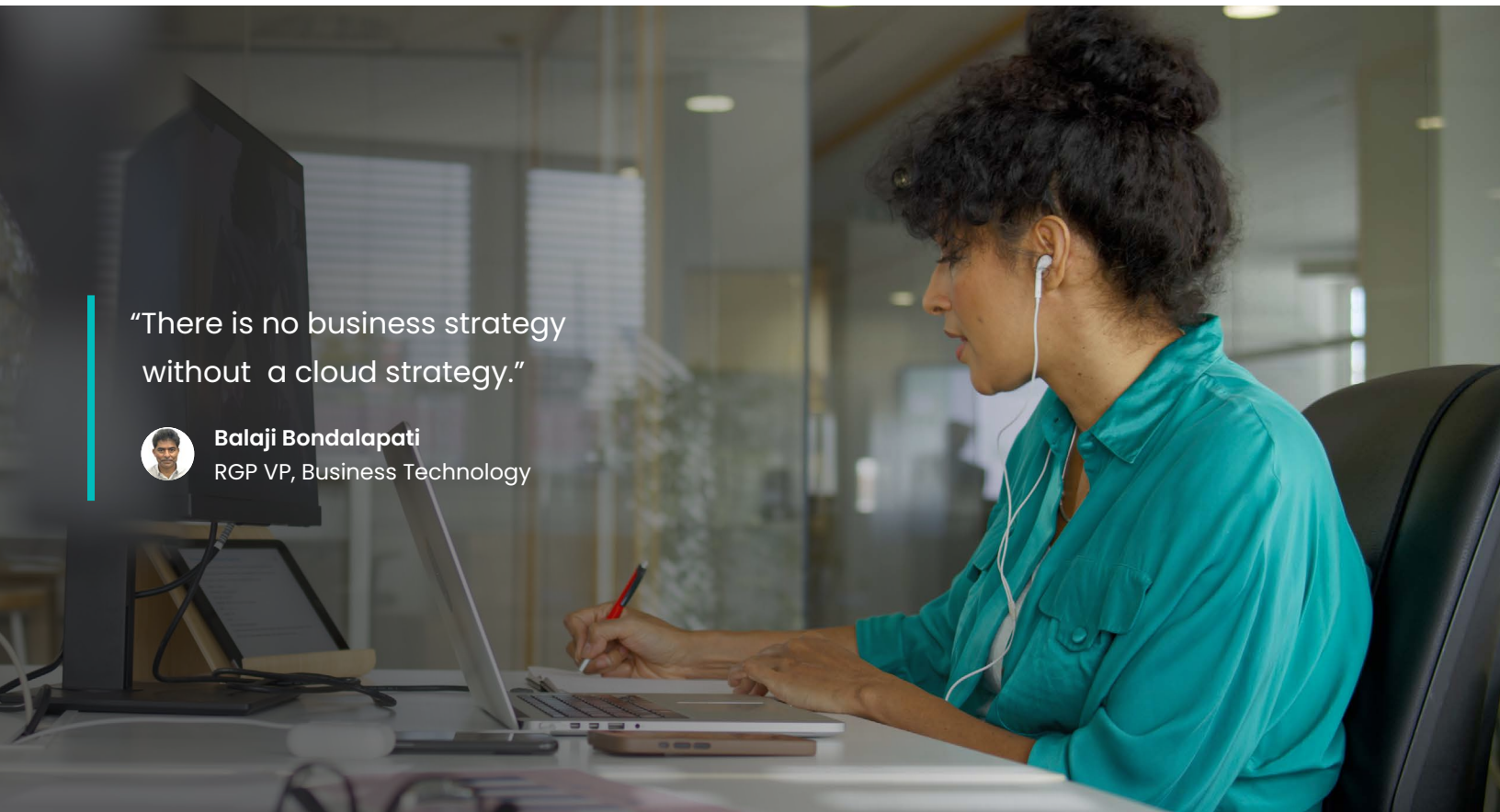
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"There is no business strategy without a cloud strategy."

Balaji Bondalapati
RGP VP, Business Technology

Introduction.

ERP cloud migration isn't just a technology transformation — it's a business transformation. This means ensuring your organization is ready for change, supported by an implementation strategy that accounts for people and processes, not just the technology. Too often, though, change management is not addressed early enough in an initiative, making it more challenging to prepare your workforce for new ways of working.

Ultimately, the success of any transformation comes down to the people who must accept and adopt the new systems, processes and policies you are implementing. And if your workforce doesn't ultimately utilize these new ways of working, your organization will not achieve your expected ROI and business results.

In this guide:

Strategic Alignment and Vision

Ensure business and IT leaders are aligned with a shared vision for the project and a strong business case with clear metrics for success.

Business Process Transformation

Migrating to the cloud involves understanding the way your business operates and transforming the way your people work with continual operational improvement.

Driving Project Success

Reduce the risk of project failure and achieve the expected benefits with a holistic approach to portfolio, program and project management as well as change management and training.

Organizational Readiness

To succeed and deliver the promised ROI your organization must be ready to adopt new ways of working, ensuring a smooth transition to your desired future state.

System and Data Strategy

As core enablers for business transformation, your systems and data are foundational to your cloud ERP migration strategy.

Risk Management

ERP implementations are inherently risky because you're transforming core systems, data and processes. Identifying and mitigating those risks are critical to the program's success.

Strategic Alignment & Vision.

Organizations move to the cloud for a variety of reasons, including technology upgrades. But the catalysts for transformation are almost always driven by business needs, such as finance transformation, supply chain improvements, M&A integration, and changing workforce strategies. That's why it's essential to ensure that business and IT leaders are on the same page.

Organizational Readiness Starts at the Top

Executive sponsorship is the driving factor for every cloud transformation's success — or failure. Senior business leaders usually own the budget and key decisions. So, they must take active and visible ownership, advocating for the change and collaborating with IT to ensure the technology meets business needs.

In addition to the project sponsor and senior executives, leadership and alignment should include department managers, such as the sales director, controller or supply chain manager. Because they're the ones who are truly accountable for ensuring that their people and processes work with the new system.

Focus on a Shared Vision

If you're investing millions of dollars in a technology implementation and changing the way your organization operates, your business case and vision for the project must be specific, comprehensive and clearly understood:

- What business goals do you hope to achieve?
- What is the expected impact and ROI?
- How will you measure success?

Balaji Bondalapati, RGP VP, Business Technology, has extensive experience leading cloud ERP implementations for a wide range of organizations. He says a lack of clarity around goals and expectations is one of the key risk factors for project success.

"For example, the executive sponsor may want to reduce working capital or improve sales by X percentage or save on labor costs," he says. "And if that specific goal is not being reached, the project might be seen

as a failure — even if everything goes right and people are using the system."

Keriann Christensen, RGP VP, Finance Transformation, emphasizes the importance of aligning IT systems with business needs. "You can build the best system in the world from an IT perspective, but the business has to need it, want it, and use it" she says.

> "When IT and business have the same common goal, projects get done faster."

Anupam Khare
Senior VP and CIO, Oshkosh Corporation[2]

Tip: Take the first step to create a shared vision for the transformation by organizing a workshop with key leaders where you align on and collaborate around clear success criteria and next steps.

Business Process Transformation.

Why are you moving to the cloud in the first place? And what is your expected return on investment? Whatever the catalyst for change and potential benefits detailed in your business case, moving to a cloud ERP and adopting digital-first, data-driven processes enable your organization to more nimbly respond to rapidly changing business needs, driving significant improvements in revenue, operational efficiency, customer satisfaction, and other benefits. But delivering on this promise involves changing the way your business operates and the way people work.

Cloud vs. Legacy Processes

Many organizations have decades of old processes with multiple layers of customizations that have been bolted on through the years — especially if they've made one or more acquisitions or developed homegrown solutions along the way.

Kathy Pazely, who heads up RGP's Business Technology practice, says that in the 1990s and early 2000s organizations enthusiastically invested in ERP systems. Still, they weren't willing to make hard decisions and change their business processes. "They customized the heck out of their ERP systems, which made them costly to maintain and upgrade," she says. "As you move to the cloud, you really have to change your mindset and transform."

Embrace ERP migration as an opportunity to move your business forward.

Although legacy processes and customizations might have served a purpose at one time, they're no longer relevant — and no longer possible. Generally speaking, cloud software cannot be customized, which means it's necessary to reengineer your existing processes to work with the new system. But rather than looking at this as an obstacle, consider it an opportunity to standardize and mprove outdated and inefficient processes.

"Think about how the new system works and what it makes possible," advises RGP's Keriann Christensen, VP, Business Technology. "It was built for the cloud —

which automatically improves processes. So, discover the best-inclass global cloud processes and adopt those. That's where you get the return on investment."

A common misconception is that cloud ERP adoption means giving up the ability to tailor the system in alignment with your core business processes and competitive capabilities. Cloud based systems actually offer easy configuration and modular functionality, which fuels a state of continual operational advancement. It's critical to engage key stakeholders early during the solution design to ensure the system solution and tailored configurations best align to your organizational and operational needs.
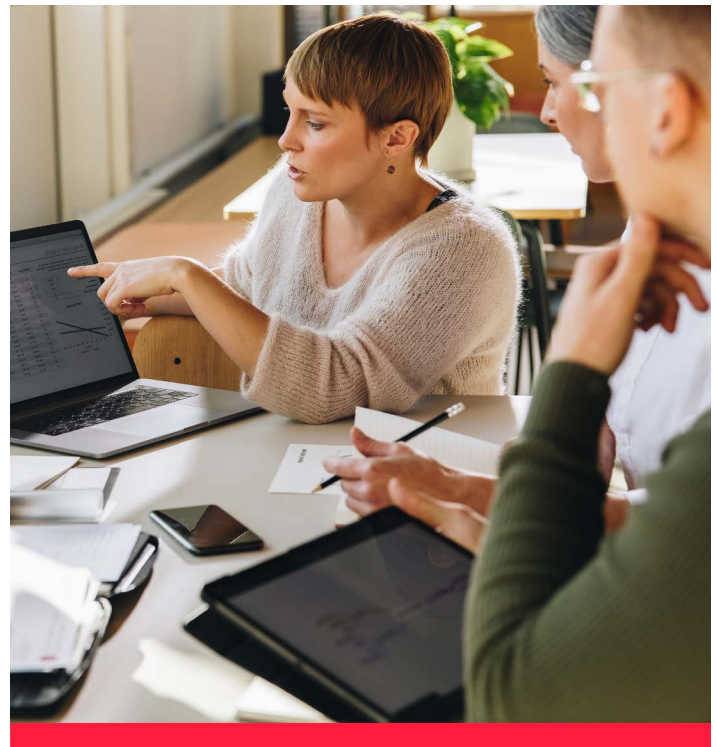
Tip: Engage key stakeholders early during the solution design to ensure you gain the most benefit from your cloud transformation.

To make the most of this opportunity:

- Set the expectation that cloud systems allow for only minimal customization, tailoring the cloud application's inherent configurations to meet your needs.

- Ensure that current state processes are documented before starting the implementation.

- Obtain sign-off on "to-be" processes from business stakeholders. This is critical to set the overall project direction and solution, based on the gap between your current and future desired operational states.

- By the time you're testing and getting ready for go-live, everyone needs to be 100% clear on what they're getting.

Current State ▶

- Errors
- Excess Costs
- Turnover & Dissatisfaction

Document ▶

Document Current State

Standardize & Improve ▶

- Design Optimized Processes
- Clean Data & Rationalize Systems

Automate

- Deploy & Maintain Technologies
- Train & Reskill

Tip: Process documentation helps reduce implementation costs. It's very expensive to define processes after engaging the system integrator.

"Unless you know what you are doing today, you can't really manage the change."

Balaji Bondalapati
RGP VP, Business Technology

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**Case Study: Standing Up SAP S/4HANA
While 'Keeping the Engine Running'**

When a global semiconductor company spun off its SSD business as part of a sale to another corporation, the new company had only about a year to stand up its SAP S/4HANA cloud ERP — from start to finish. At the same time, the company was building a new organization from the ground up and hiring its team.

Facing an extremely aggressive timeline to complete the implementation and meet the TSA exit deadline, they engaged RGP to provide advisory support across several workstreams and functional areas of the new company, including Finance, Operations, Data and Change Management.

We brought in seasoned, experienced resources with the expertise to wear multiple hats — from accounts payable to financial reporting — and do whatever was needed to keep the momentum and the project moving forward. We also provided program and project management support and advised our client's leadership team on how to manage project challenges and mitigate risk.

Collaborating closely with both our client and the SI, RGP worked as a force multiplier, enabling the new company to successfully go live in the new operating environment on time.on what they're getting.

Driving Project Success.

Once leaders are aligned, and you've validated organizational readiness, you now face the challenge of defining and executing a complex, cross-functional transformation program and delivering the outcomes promised to your leadership and board.

Leading with a Transformation Mindset

Establishing a central transformation office or program management office (PMO) is critical to a successful cloud ERP implementation. While some elements of a traditional PMO are still relevant, the role of the transformation office and the way it operates within the context of a cloud ERP needs to be different.

That's because complex cloud ERP transformations present unique challenges:

- **Uncertainty about what constitutes the ERP transformation**
  The target state has been defined as part of strategic alignment and visioning, but it's rarely 100% clear how to get there — at least in the early stages. Not every aspect of the transformation can be neatly defined as a project. And some facets of transformations might not be defined as projects but are just as important: culture and behavioral change, leadership alignment, employee sentiment, and business-as-usual (BAU) activities, to name a few.

- **Identifying dependencies and synergies**
  ERP transformations typically constitute a pipeline of programs subdivided into initiatives and owners across the organization. Knowing how each of these smaller components is tracking, as well as their interdependencies and overall impact on the transformation, is important so that you can understand the overall health of the transformation.

- **Understanding of people and financial constraints**
  Given your available resources and finances, you need a clear sense of how much of the ERP transformation can run concurrently. This is especially important because not all aspects fit into well-defined projects, meaning there's a greater need to understand resources and finances holistically.

Embrace ERP migration as an opportunity to move your business forward.

- **Financial management of the ERP transformation**
  In almost all cases, ERP transformations are anchored on process optimization, automation and digitization to free up resources and funds that can be reinvested into growth and innovation. This requires defining and managing complex business cases, with the ability to track large costs and benefits incrementally through the transformation lifecycle.

- **Capturing accurate and timely project and initiative data**
  Adopting Lean or Agile project management practices ensures less burden on project teams. More importantly, a cloud-based, collaborative, easy-to-use, and scalable project management platform empowers project teams to more easily capture and track meaningful and accurate project-level data. This, in turn, enables them to deliver meaningful insights and decision support. Investing in the right project management platform can enable almost real-time project data capture as well as reports and dashboards.

Tip: Include change management, communications and data analytics in the PMO capabilities.

Evolving the PMO to Manage Transformations More Effectively

Leaders and sponsors of ERP transformations expect their transformation office or PMO to lead and drive the overall success of the transformation — not just operate as a governance and reporting function. This means their role needs to evolve.By the time you're testing and getting ready for go-live, everyone needs to be 100% clear on what they're getting.

Depending on the size of your organization, you may already have a well-established ERP transformation office or enterprise PMO that orchestrates important initiatives and coordinates parallel activities between congruent initiatives. These program and portfolio management skills are not always available within your team, so it is sometimes necessary to engage outside resources to set up and run the PMO for your ERP transformation project.

Even if your organization has internal PMO capabilities, it can be beneficial to engage the support of consultants with deep experience and detailed expertise with cloud ERP implementations as well as the methodologies specified by the system integrator and/or the software provider. This will help evolve your organization's internal PMO into a core enabler of success for the overall transformation.

Internal Resource Planning

It's easy to underestimate the level of internal resources you'll need to prepare for and implement a new ERP system. About four in 10 companies in an RGP 2023 survey4 of 1,000+ large companies indicated they lacked the internal skills needed to staff their transformation initiatives — and the impacts were significant:

60% experienced delays in launching initiatives.

53% saw delays in completing initiatives.

41% missed key goals.

37% had more difficulty making important operational changes.

Although system integrators and consultants play important roles, this type of transformation requires deep, organization-specific knowledge, which can only be provided by your own people.

It's essential to be realistic and plan for the time and effort required to capture and validate business requirements, test the system and new processes, train impacted employees, and provide support after the system goes live. You might also consider backfilling some roles for the project's duration to free up critical internal capacity.

Organizational Readiness.

Organizational Design

Implementing a new business technology system such as an ERP means changing how work gets done. That, in turn, triggers organizational changes, including:

- Roles and responsibilities

- Policies and procedures

- Workflows and job descriptions

- Performance goals and metrics

In many cases, you eliminate certain functions because you're automating tasks and removing redundancies. But you might also be creating opportunities for new roles or responsibilities. For example, in an organization processing and receiving customer product returns, you won't need people to reconcile data on spreadsheets with product inventory anymore, but you do need them to work in a new cloud-based system that automates returns and inventory management.

Readiness Scenarios & Support Planning

When a large ERP implementation goes live, issues will inevitably arise. Proactively planning for typical scenarios makes it possible to troubleshoot potential incidents before they happen. Consider your current processes for activities such as transportation management: Let's say you have 47 shipping containers on a particular ship. Instead of docking in the planned port, an emergency forces the ship to dock somewhere else.

- How would you most efficiently route these containers to their end-point destination?

- How would you process this new ship-to location in the new system?

- How would you process any new import/export requirements?

- What does the system automate now that you used to have to calculate and/or process manually?

Working through these types of readiness scenarios prepares your team for what they'll need to do differently, which can then be incorporated into training and postimplementation support.
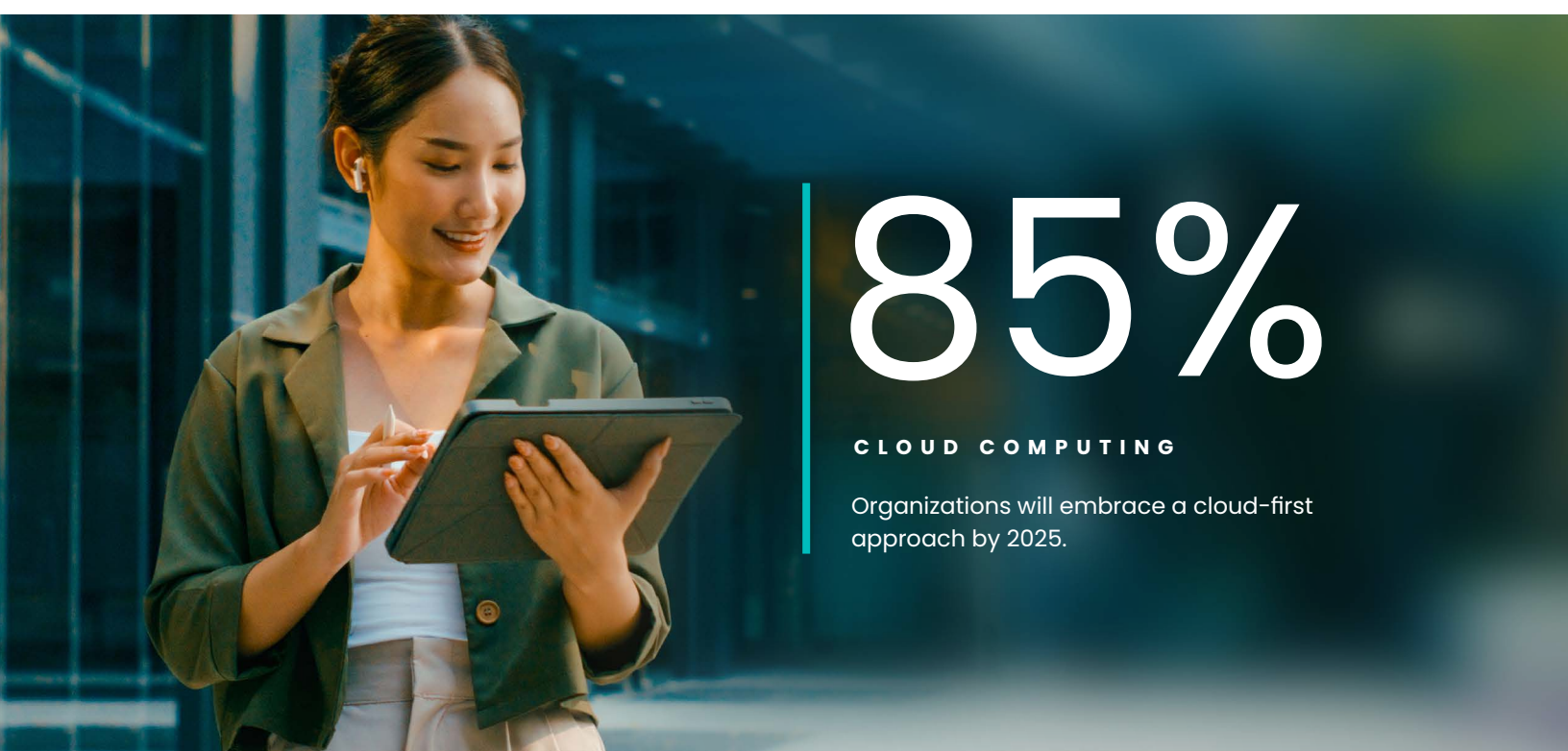
85%

CLOUD COMPUTING

Organizations will embrace a cloud-first approach by 2025.

System & Data Strategy.

As core enablers for business transformation, your systems and data are foundational to your cloud ERP migration strategy. This means it's vital to get business and IT stakeholders aligned from the get-go—even before you select a new cloud ERP or other technology system. This provides a common understanding of the business and technical requirements that drive everything from system design and configuration to data conversion and reporting.

When implementing a cloud ERP system, you must evaluate your entire technology ecosystem — including the existing architecture as well as the new system you've selected — and look holistically at how data and processes will flow across all the disparate systems:

- What other systems feed it?

- What are the implications of having that data only in the cloud?

- How will the data in those systems work together to support your target operating model and how can downstream systems benefit from this data?

- What are the business reporting and analytics needs, and how will the systems and data support them?

Every organization's considerations are a bit different. For example, a global engineering company may have specialized systems for R&D, project management, and manufacturing. Many companies use SAP or Oracle for their primary ERP system but have a different system, such as Workday, for their HR function. You must account for how those systems work together to achieve the business objectives.

To avoid system interface and data conversion issues, it's wise to develop a standardized model for your key master and reference data, such as a global chart of accounts and bill of materials, prior to implementation.

Tip: Develop a standardized model for your key master and reference data prior to implementation to avoid system interface and data conversion issues.

Master Data Strategy

Data, like change management, should be part of your cloud ERP implementation strategy from the very beginning. The data strategy lays the groundwork to successfully cleanse, map, migrate, and govern your data during implementation and beyond. It's your blueprint for delivering high-quality, readily accessible data that not only supports compliance, controls and financial reporting requirements but also enables fast, data-driven decision-making.

This requires mapping and connecting data and process flows from end to end. For example, when a customer calls and places an order, that order goes to planning, which goes to manufacturing, which goes to shipping, which goes to invoicing. If you don't see that process attached to the actual systems data flow, you can miss things.

Your Master Data Strategy should cover:

- Data standards and definitions: Defines the structures, definitions, decision rights, etc., for key data elements (KDEs).

- Data model: Shows the structure of the master data object and how it connects to the other key data.

- Data quality assessment: Determines how the data currently conforms to future needs and how you will monitor and address quality issues moving forward.

- Data mapping and migration: Includes field mapping, transformation rules, cleansing, and testing approaches.

- Data governance: Defines the organization and processes to ensure data standards evolve with the business and stay compliant.

Risk Management.

Transformation is an inherently risky business. And ERP implementations are particularly fraught because you're transforming the core systems, data and processes that keep your business running. Virtually every aspect of a cloud ERP transformation holds some risk implications, from project governance and oversight to system testing and data integrity.

Disruptions and delays can have dire consequences, as many organizations have experienced first-hand. For example, J&J Snack Foods estimated losing about $20 million in revenue because of production disruptions related to their ERP migration[5].

ERP implementation = risk management.
To avoid this kind of risk scenario, Ian Burnett, RGP VP, Risk and Compliance, says it's critical to account for governance, risk and control objectives in the strategy phase — and ensure they're clearly specified in the design and requirements. Ideally, the chief audit executive (CAE) would play a key advisory role and provide guidance for risk and control objectives throughout the implementation.

Managing & Mitigating Operational Risk

Experienced project managers can help you anticipate potential risks and account for them in the project plan and timeline. For example, RGP's Project Management team recommends taking incremental steps toward the cloud rather than migrating all your systems at once. Guided by a strategic roadmap, start with one cloud ERP module, such as Finance or HR or Supply Chain, depending on your business priorities as well as the operational impact.

Tip: Giving the chief audit executive (CAE) a seat at the strategy table helps ensure adequate risk management and mitigation.

Tip: Migrate one area of your business first.

Balaji Bondalapati, RGP VP, Business Technology, has been delivering complex system implementation projects — on time and on budget — for more than two decades. Based on this experience, he's developed a keen sense of where implementations can go awry and shares these tips for keeping managing risks:

- Take a phased approach. For example, go live with the Finance module first and then select a business unit or region with low operational impact as Phase 2.

- Test, test and test again. Perform at least three to four cycles of end-to-end system testing, including data migration testing.

- Be ready to move and don't look back. It's not possible to maintain parallel accounting in the legacy and new system, although parallel financial consolidation is allowable for two to three months after go-live.

- Start planning the production cutover well in advance of go-live. ERP systems are very complex, so make time for as many dry runs as possible to test your cutover strategy and plan.

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10 Key Risk Factors for Cloud ERP Implementation

Adopting leading practices can help you avoid these potential points of project failure as well as the painful timeline slips and cost overruns that can result.

1 Inadequate sponsorship and leader alignment

2 Unclear, uncompelling business case

3 Taking a "big bang" vs. a phased approach

4 Poor execution of change management

5 Lack of clear documentation of futurestate processes

6 Inadequate staffing and capacity of functional experts

7 Lack of master data governance and standards

8 Unrealistic expectations

9 Insufficient testing strategy and business user representation

10 Insufficient testing strategy and business user representation

"By 2028, cloud computing will shift from being a technology disruptor to becoming a necessary component for maintaining business competitiveness."

Partnering for Sustainable Success.

Successful transformation involves more than just implementing the technology, from data quality and governance to project and change management. RGP brings a tailored, client-centric approach to support large global deployments, offering customized, blended solutions that provide both solution leadership oversight and subject-matter expertise.

Whether it's part of a comprehensive transformation effort or upgrade of existing applications, RGP can help you at every step of the end-to-end process of planning, selecting and implementing business technology initiatives. We work collaboratively with clients and system integrators, bridging the gap between functional stakeholders and technical design teams and supporting key activities and deliverables that are not typically provided by your SI.

With our holistic framework for driving project success, RGP provides improved visibility into your transformation project's actual progress and risk — and acts as a force multiplier to ensure your objectives are realized.

RGP Project Consulting Services and On-Demand Talent for Cloud ERP transformation:

- System Assessment and Selection
- Program and Project Management
- Business Process Design
- Data and Reporting
- System and User Testing
- Internal Controls
- Change Management, Communications and Training

600+
system implementation projects

300+
system upgrades and technology optimization initiatives

100+
software selection engagements

1000+
successful change management initiatives with 500% clients

More Resources:

Visit RGP.com/cloud-erp to access other useful resources to help your organization plan, execute and sustain a successful cloud ERP implementation.

- Chief Future Officer: The Cloud ERP Imperative
- Execution Guide: Delivering Value & Impact with Your Cloud ERP
- Tip Sheet: Key Considerations for System Selection
- Checklist: 10 Critical Risk Factors to Avoid
- Survey: Change Readiness Assessment
- RGP Solutions: Delivering Expert Project Execution for Cloud ERP

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About RGP

RGP is a global leader in professional services, helping businesses tackle complex challenges with flexible engagement models and a comprehensive suite of solutions. With over 2,600 experts across four global regions, we deliver impactful solutions across on-demand talent, next generation consulting, and outsourced services to elevate business performance. Trusted by Fortune 100 companies and emerging enterprises, we fuel growth, streamline operations, and pave the way for long-term success with innovation, collaboration, and the courage to dream bigger. Dare to work differently with RGP.