Unfit for purpose: The business case for transforming legacy ERP

ERP projects can be daunting for many reasons. They are typically big, with the biggest projects costing 100s of millions of dollars and taking five-plus years to complete. They are complicated because an ERP system impacts all parts of a business and its processes, and often requires employees to learn new ways of working. Worrying low success rates are also a problem. According to some estimates, less than half of all ERP projects achieve their objectives.

For one CIO we interviewed − the head of IT at a company that makes industrial components − the big worry was the capability of the current system.

It's not that the CIO was unsure about the need to transform the company's 15-year-old ERP system. The software was no longer fit for purpose and hadn't kept pace with the company's global growth, the CIO said. Another problem: the ERP doesn't work properly in some countries where the company operates, meaning that it must be heavily customised, at considerable expense and time.

The CIO said that he was dissatisfied with the company's current ERP supplier, who was slow to configure systems and didn't work with other system integrators that tweak and improve the ERP.

The company is planning the ERP transformation project including its cost and likely timeline. Right now, the CIO's favoured option is for a cloud-based ERP but is unsure whether to use a private or public cloud.

The ERP project will act as a template for future big IT projects at the company.

"I feel like we have outgrown our ERP system, we need an ERP system that can straddle different business functions."

CIO of industrial components company

Tech innovation

The CIO believes that ERP transformation is urgently needed but doesn't think that the company agrees. If the current ERP works – just about − why change it?

"There is a risk of inertia," the CIO told us. "If it's good enough [according to our company board] then why risk a potentially painful transformation?"

However, the CIO says the company has ambitions to grow rapidly in the next seven years and knows its current ERP system will not give them the scale, speed and flexibility it needs. An ERP transformation is therefore essential and can't be delayed for much longer.

Before any transformation happens, the CIO needs to ensure the company is prepared for the change and transition, stressing to us that the project can't just be done in one "big bang".

"Everything is being done in different systems and people are working in parallel to prepare for the project. Getting match fit for a big undertaking."

Transformation timelines

The CIO estimates the ERP project will take between 18 and 24 months. Before the project begins, he wants wants a clear roadmap for the project, which will be done in phases.

The CIO recognises that ERP transformation is "a risky business" but does not want to take unnecessary risks. He will agree a project timeline when he gets a clear understanding of the strategy and approach they need to go with.

As with an increasing number of big and complex IT projects, the business, not the IT department, will lead the ERP transformation, with extensive support from external IT suppliers.

"Business stakeholders run the game"

The transformation team will include a lead for each of the main business functions.

There are also data considerations, of course. The CIO knows that getting data structured and stored in the cloud makes it easier to access and analyse.

What would a successful ERP transformation look like? Implementation of software that can grow with the business, and help the company improve efficiency and contribute to an improvement in EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation), which in turn will give it a strong return on investment, the CIO said.

Speed read:

- Employees are the most important driver of a successful ERP transformation

- Create a team to review and improve "historical" data from your ERP system before transferring it to the new system

- Weekly meetings with departmental heads are vital for maintaining business support for the project and keeping it on track

Oracle is committed to supporting IT leaders on their ERP transformation journey. Visit our **ERP transformation self-assessment tool** to receive tailored advice on how to make your ERP cloud modernisation a smoother journey with Oracle.