Cloud ERP and M&A: How to migrate and minimize disruption

Every big ERP transformation project has its own idiosyncrasies, but the core reasons for embarking on one rarely change.

An enterprise company will often want its new ERP system to streamline IT and business processes in scores of countries and subsidiaries; cut costs, increase both efficiency and productivity and, in recent years, help accelerate digital transformation.

Alternatively, a merger or acquisition may trigger the need for a new enterprise ERP system, as was recently the case for one large manufacturer interviewed by Oracle.

The CIO explained that the organization is selling off a major part of the busines. As a result, the company wanted to create two standalone businesses with two independent cloud software environments from a single cloud instance. This presented the CIO and his team the opportunity to move their infrastructure to the cloud.

But they needed to act quickly.

"The longer you take to separate the company, the longer it takes to realize the value generated by separating the company"

CIO of the enterprise company

The fastest – and least disruptive – way to achieve this cloud migration was to use a strategy known as "clone and cleanse".

This involves replicating the entire on-prem infrastructure on the public cloud – twice – with one environment for the core business and one for the business being sold. Once the cloning is done, the company then "cleanses" and removes any data that is commercially confidential or no longer needed.

The next stage in the transformation is to migrate the existing ERP system to the latest version, consumed via a SaaS model.

At the time of writing, the project was about 80% finished and on track to be completed within one year.

A split decision

As with many large IT projects, the CIO worked closely with and reported into the CFO.

"The financial elements of it were probably the most onerous because I was changing the cost profile of running IT in the company. Typically, finance people don't understand and don't want to understand what on-prem is, what infrastructure is…, what platform-as-a-service is, what software-as-a-service is or why a company would decide to clone IT systems," the CIO said.

"Our company s CFO wanted to know why does that make any difference? And why will there be an ongoing cost?

The CIO explained to the CFO and the finance department the reasons for the project and how it would work. "I had to do a lot of education, personally, around demystifying this world of IT that up until now was just a cost center that was allocated to them."

Project risks

| **The biggest risk of the project was that it would disrupt business operations.**

"An ERP system is there to keep the company running. Pretty much, every business process is linked to it. It's that fundamental. The company won't run without it. The risk of disruption to business continuity is the biggest project risk."

For much of the project, the CIO was fixing inevitable technical glitches, often identified by software testing, and explaining these to business leaders outside the IT department and reassuring stakeholders about the project's progress.

At times like these, being able to use simple, non technical language was important. So was encouraging realistic expectations about what the new ERP systems could achieve and when.

"It often feels like a seesaw," the CIO said. "We're constantly swinging between low confidence because something didn't work and high confidence because something did work."

Because the ERP project is part of a global business transformation, the CIO is working with a large project team of about 300 staff. Of these, around 100 are the company s own. The rest are third-party suppliers and contractors.

A Central Separation Management Office oversees the whole ERP project. The CIO reports to the board and to those buying part of the business.

Despite the technological and organizational challenges of the project, and its tight timeline, the CIO said that it was progressing well.

"The whole journey is about six to seven months. We're two months away from completion... We know what we're doing. It'll be okay."

Speed read:

- Data from the manufacturer s old on-premise ERP system was replaced with a modern SaaS ERP system. The project will enable the company to sell off and dispose of a major part of its business. The buyer and seller will have separate ERP systems

- The innovative project, which used a cloning method of ERP transformation, was due for completion in around seven months

- One of the biggest challenges of the project was educating the CFO and other business stakeholders about the risks and benefits of the project

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.