

Strategies for success: how to get ERP migration right

Global research study



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ERP migration experts tell us what to do (and what not to do)

It is the company's brain – managing business processes, accounting, procurement, compliance, resourcing, and more. The Enterprise Resource Planning (ERP) system does it all.

So migrating to a modern ERP system, or transplanting the corporate brain, is no simple task. [Research from McKinsey](#) shows that three-quarters of ERP transformations fail to stay on budget or schedule, partly because of misaligned objectives, poor project management, and not enough focus on business value.

But some companies across the world and across industries are managing successful ERP migrations. They are doing it because they want to reduce costs and become more efficient across global operations –

and that means aligning their company data.

The challenges of the pandemic have made these objectives even more important, and market dynamics such as SAP's move to S/4HANA are adding more weight to the argument to undertake an ERP migration. As a result, ERP migration is now a major part of companies' digital transformation strategies.

So how exactly are companies carrying out ERP migration? What challenges do they face along the way? And what benefits are they reaping?

Here, we look at the ERP migration process from start to finish, and draw on interviews with experts who have been instrumental in their companies' own migrations.

About the research

In December 2021, Fujitsu carried out seven in-depth interviews with subject-matter experts who have specialist knowledge of the ERP migration process from both technical and business perspectives.

The respondents represented companies from five countries and six industries.

Countries

- UK
- US
- India
- Germany
- Singapore

Industries

- Banking and financial services
- Manufacturing
- Healthcare
- Utilities
- Food and beverage
- Retail sectors

The sensitive nature of the information provided means some interviewees preferred to remain anonymous, which allowed for a more open discussion.

Global survey conducted in the December of 2021

Objectives:



What do companies want ERP migration to achieve?

A major objective behind ERP migration is to drive the wider digital transformation strategy. Data from Technology Evaluation Centers shows that the main motive behind ERP migration is to move away from outdated legacy systems and toward modern technology. In other words: digital transformation. [IDC](#), meanwhile, claims that for 60% of large organizations, core IT modernization is an essential or high-priority part of their digital strategies.

“Our ERP migration is the foundation of our digital transformation strategy,” says a Senior Global Director of an international athletic shoes and apparel company. “It’s a major part of meeting our customers’ needs. They want companies to be quicker and to get them the product on the same day, and we should be able to meet the needs of the market. That’s one of the biggest reasons behind the ERP migration. Secondly, we wanted to limit our risk exposure and be able to leverage things like big data, AI, analytics.”

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Senior Global Director of an international athletic shoes and apparel company.

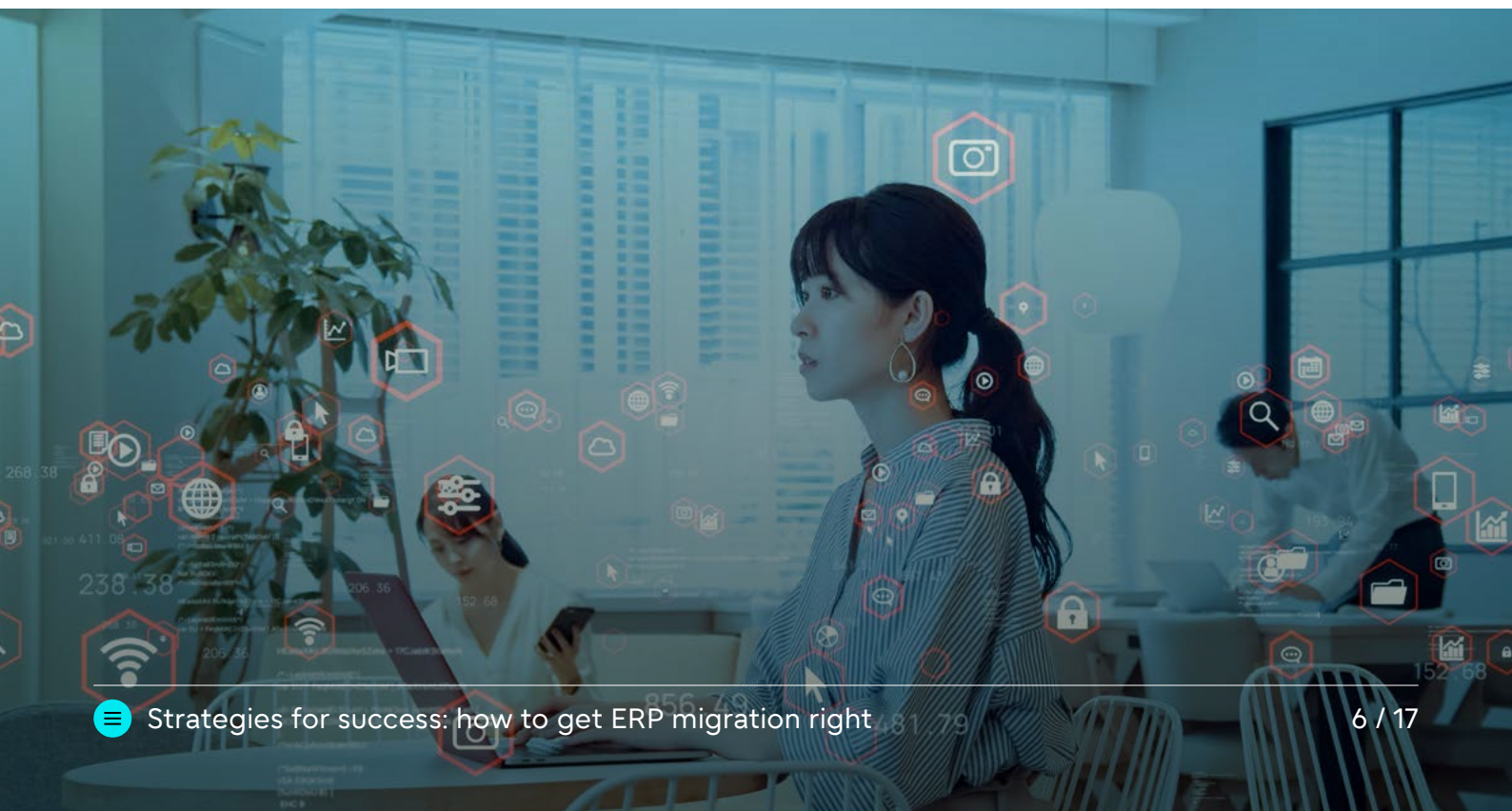
Nader Anaizi, Honeywell's Data Management Director, also believes upgrading ERP systems is a key part of digital transformation. He claims that there are three main areas where the new technology can help:

1. Improving data management and the governance of enterprise data
2. Enabling better analytics
3. Simplifying systems acquired through mergers and acquisitions.

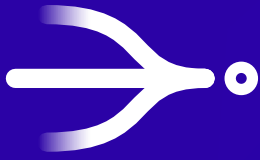
"The big question was, 'How are we going to move forward and stop behaving as if we are a holding company, and behave more like a single entity?'," he says. "ERP migrations are definitely important to answering that. Trying to pull all the data into one place and make sense of it so that we can make strategic decisions was difficult. And one way of solving that was the ERP migration."

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Nader Anaizi, Data Management Director, Honeywell



Strategy and methodology:



How Are Companies Migrating Their ERP?

By assembling the right team

So an ERP migration strategy can help drive digital transformation objectives, but establishing how it will work in practice is not straightforward. It is a major undertaking that needs a range of key stakeholders from across the business to agree on a strategy.

Jayanta Bhowmik, Group CIO of Indian industrials firm Kesoram, says that at his firm, the leadership team went through a painstaking process of internal deliberation to decide on the right ERP migration strategy.

“The rationale behind the ERP migration needed to be discussed and debated at management level,” he says. “We went through a lot of analytical discussions and looked carefully at company and industry benchmarks around performance, integration, stability, and security. We did this methodically and scientifically – we did not go by our emotions or by past experience or our own personal preferences.”

One industrial company also invested time and effort in building up the right team around its ERP migration plan, which involves consolidating multiple ERPs into a single ERP to be used across its operations.

“We had a lot of negotiations to get people from the business who were also IT savvy to come and work with us 100% of the time – totally dedicated to us,” says a Senior Director at the company. “To do an implementation of such a large IT initiative, you need more than just IT people.”



By planning the migration meticulously

ERP migrations are typically large projects that span several years and touch every part of the business. So careful project planning is essential. Particular care needs to be taken of the system data itself, because problems with the underlying data will interfere with the processes they are designed to run.

The Technology Evaluation Centers research shows that half of ERP implementations fail first time around, and one of the major areas where they fall down is data quality.

“Ensuring the accuracy of the master data is not an area you should compromise,” says Kesoram’s Jayanta Bhowmik. “You should ensure 100% accuracy in the master data. This data is the bible, and it tells the ERP how to run. If the master data is wrong, everything will go haywire.”

An IT leader at a large food manufacturer, agrees that accurate master data is essential to a successful ERP migration. “You must not discount the master data,” he says. “Even if you need to spend another three months cleaning up your master data, then come up with a scheme to do it. Table the ERP migration for a while – otherwise, the pain of inaccurate data will get too much. Cleaning up the master data is completely essential.”

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Jayanta Bhowmik, Kesoram



By selecting the right methodology

Wide-ranging, multi-year projects such as an ERP migration have to be managed consistently. At one industrial company this was not straightforward, and in the end the firm created its own methodology.

A Senior Director at the firm explains that the company tended to use a traditional waterfall methodology across its IT implementation, characterized by a linear, sequential approach. But they suspected that this would not work for the company's ERP migration project. "It was going to take too long," they say. "And it was just not going to work out if we went at that rate."

So the company looked into other methodologies and began using Scaled Agile Framework (SAFe) instead, drawn by the idea of working quickly and at scale. However, this method also failed to meet the project's objectives. "There were a lot of sleepless nights," says the director. "We realized that SAFe was not going to work for us, and neither was the waterfall methodology."

What followed was an innovative approach that saw the company combine these two popular methodologies into a completely new one. For the design stages of the migration, it used techniques associated with the waterfall method, but for other areas, such as testing, it used agile methods.

"We figured that we had to blend the two frameworks together to make it work for us, and that's what we did," they added. "We created something new."

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A Senior Director at one industrial company

Key Benefits:



What Are Companies Achieving with Their ERP Migrations?

Cost efficiencies

Data from [FinancesOnline](#) ranks business performance improvement as the top reason for implementing ERP systems.

An upgraded ERP system gave an industrial firm a single sourcing system across its operations, which meant that everyone had access to the same data. This drove major cost savings across the company, according to its Senior Director.

“Now, we can compare and contrast price points from different sources,” they say. “We’ve identified use cases where we were buying parts from different countries with a price variation of 30 cents to \$30 per piece, and we were buying thousands of those parts. Once we brought all the data together, we were immediately able to save millions of dollars per year.”

They add that the ERP migration helped the company to reduce the number of its legal entities by more than half, simplifying its structure considerably and saving it millions of dollars a year in back-office costs. “This also helps us reduce the closing cycle,” they say. “The ERP migration will help us in that as well: it’s all only possible by simplifying the IT landscape by automating it.”

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Sustainability

Sustainability has rocketed up the corporate agenda in the past few years, with awareness of the climate emergency driving behavior change among governments and individuals.

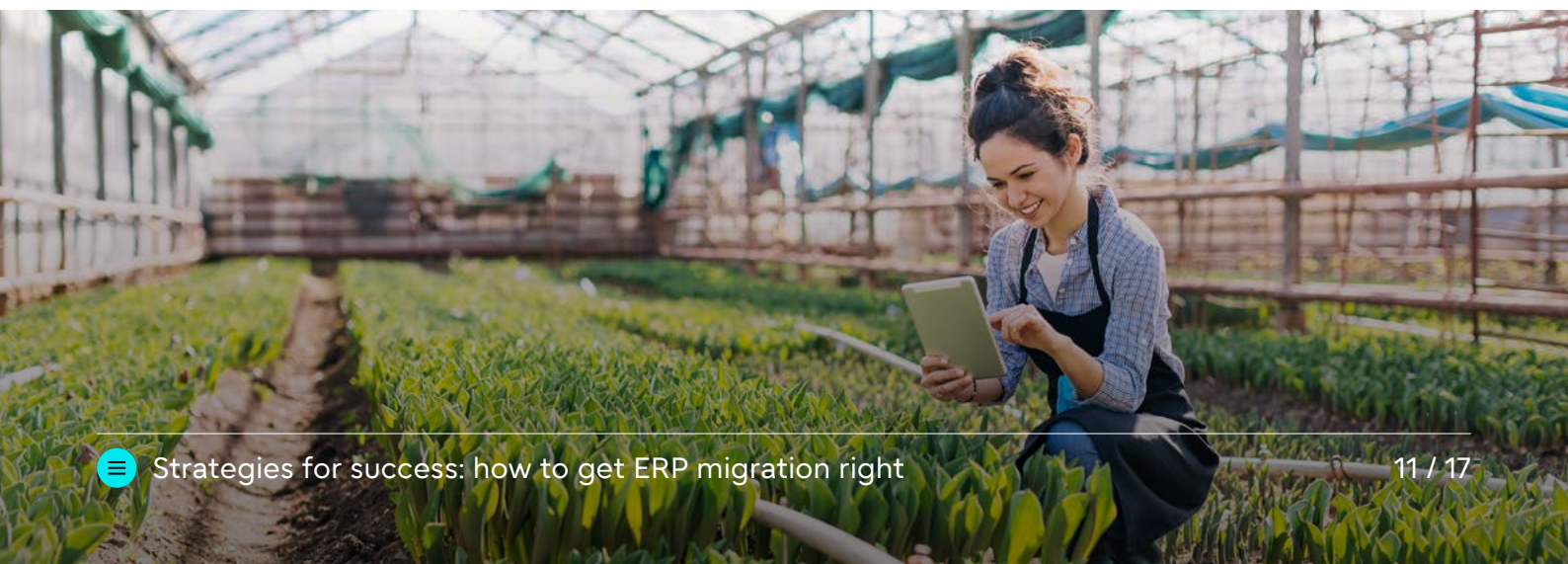
ERP migrations have traditionally been undertaken to achieve cost efficiencies, but the sustainability benefits are becoming more and more important. The potential for modern ERP systems to improve corporate sustainability is massive:

- Digitizing analog processes reduces reliance on paper records
- Better stock management cuts waste
- Sensors and monitors can predict machinery issues and prevent downtime.

At 99 Cents Only Stores, a US discount chain, moving to a cloud-based ERP system in itself would be enough to create significant environmental benefits. “As we are moving portions of our ERP system to the cloud, our power consumption has gone down,” says its CIO Sandeep Chawla. “And as we go further on our cloud migration journey, we can tap into the efficiency of a cloud operator, rather than managing our own data center. The cloud operator is continuously making improvements on sustainability – that’s a big benefit of moving to the cloud rather than doing it ourselves.”

The functionality of the ERP system, meanwhile, is helping Kesoram to reduce carbon emissions considerably. “The ERP migration is enabling us to have a much smarter and faster approach to work,” says its Group CIO Jayanta Bhowmik. “It has reduced our cycle time and any unnecessary uptime of machines and equipment, which reduces power consumption. We can have a much greener operation than before. At the same time, we have installed meters and sensors that connect to the ERP system. This data helps us predict machine health and reduces outages, and therefore our carbon emissions.”

Healthcare giant Johnson & Johnson is another company that is reaping sustainability benefits from its ERP migration strategy. “It has reduced the cost of transportation, which has made our supply chain more efficient,” says its IT and HR director Pramod Tekchandani. “If we have one lorry going to one warehouse and there is another warehouse two miles away, then we can use one lorry. If we weren’t using modern ERP we would have to have two separate lorries going out. This doesn’t just save us time and money, it also helps the environment because there is less pollution.”



Supply chain

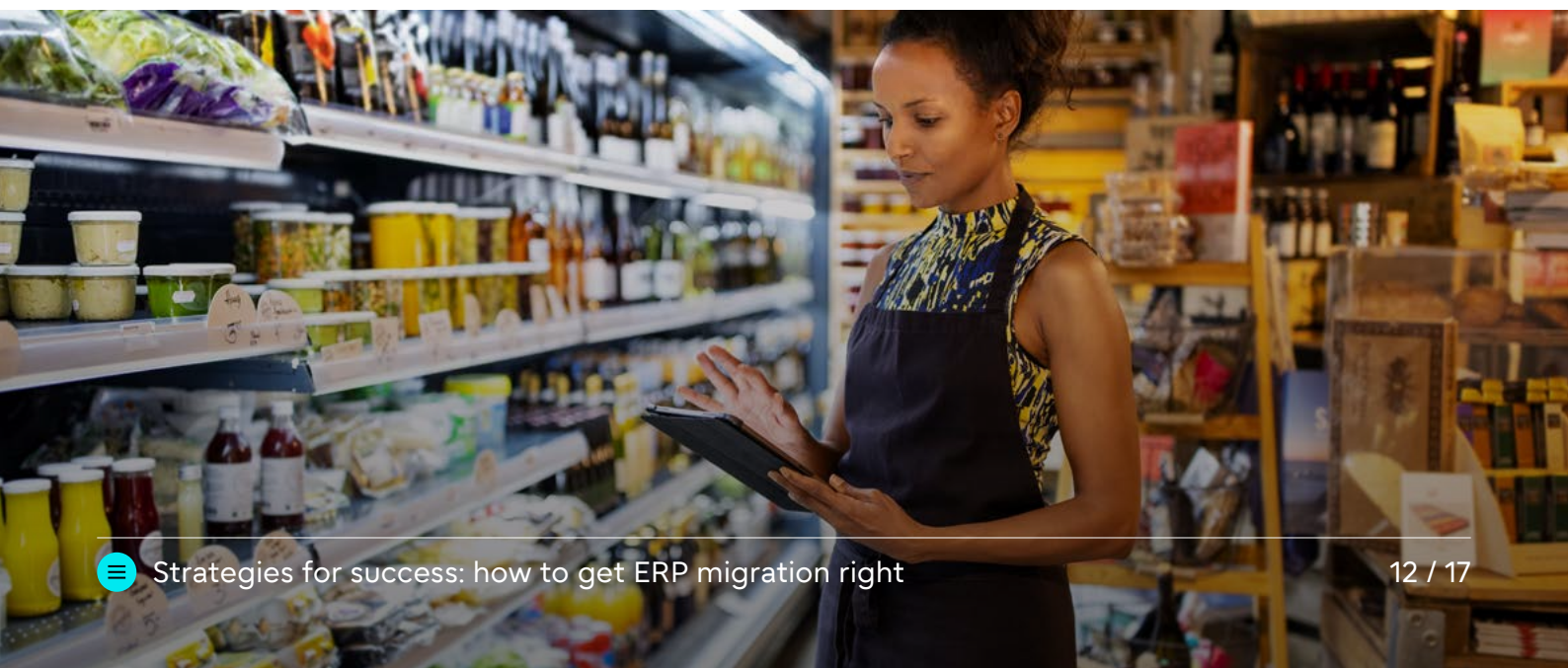
Supply chain management has been a challenge during the pandemic. Rocketing demand at the peak of the pandemic for certain products, such as medicines and cleaning supplies, left many retailers short on supply. And even now, some industries, such as car manufacturing, are suffering delays because of a shortage of semiconductors in the supply chain.

But modern ERP systems help companies to manage their supply chains effectively and mitigate some of the issues created by the pandemic.

Johnson & Johnson, for instance, used its modern ERP system to stabilize supply to a major supermarket client during the pandemic's peak, which kept consumers stocked with cleaning products and hygiene supplies.

"We were able to work with their systems and provide them with a portal," says Pramod Tekchandani. "Therefore, they can log in to our portal and see what supply we have in stock. During the pandemic, the demand for cleaning products shot up quite substantially. We were fortunate because some of our manufacturing processes were integrated with SAP into our machine-to-machine robots. We used the Internet of Things and smart technology to meet this demand."

At the international athletic shoes and apparel company, having a modern ERP system has "hugely impacted" its ability to manage its supply chain, according to its Global Senior Director. "For example, if we're able to understand what sort of threads can be sent to a certain manufacturer quicker, we can make a shoe quicker," they say. "All those things are positively impacted by the ERP migration."



Major Challenges:



What Are the Migration Obstacles, and How Can Companies Get Over Them?

Cultural change

Digital transformation is a major change for all employees across organizations, and the culture shock can be a barrier to projects' success. [Gartner](#) finds that most CIOs see company culture as a barrier to their digital transformations. ERP migration is no different, and the process efficiencies it leads to can leave some employees fearing for their jobs. This can demotivate the workforce and act as a major barrier to adoption.

"Technology change and integration bring fear of job losses," explains Kesoram's Group CIO Jayanta Bhowmik. "We had to discuss within management how to reassure employees. Typically, the manufacturing population is not very IT savvy, and they have been using the same system for more than 30 years. When you change like this, it's a shock." Bhowmik adds that employees started to be won over by the new ERP system because they could see how much more convenient it was. "There was much less manual intervention," he says. "Much better output, and faster work."

These day-to-day benefits were supported by intensive workshops designed to train employees and accelerate cultural change. A 'train the trainer' model emerged, with individuals throughout the business helping to troubleshoot issues and champion the new system.

"It's better to try and convince, train and transform one person from the population, and encourage them to do the same, rather than try to transform the entire population at once," says Bhowmik. "These people are agents of change, and they are trusted by their peers."

Managing data quality

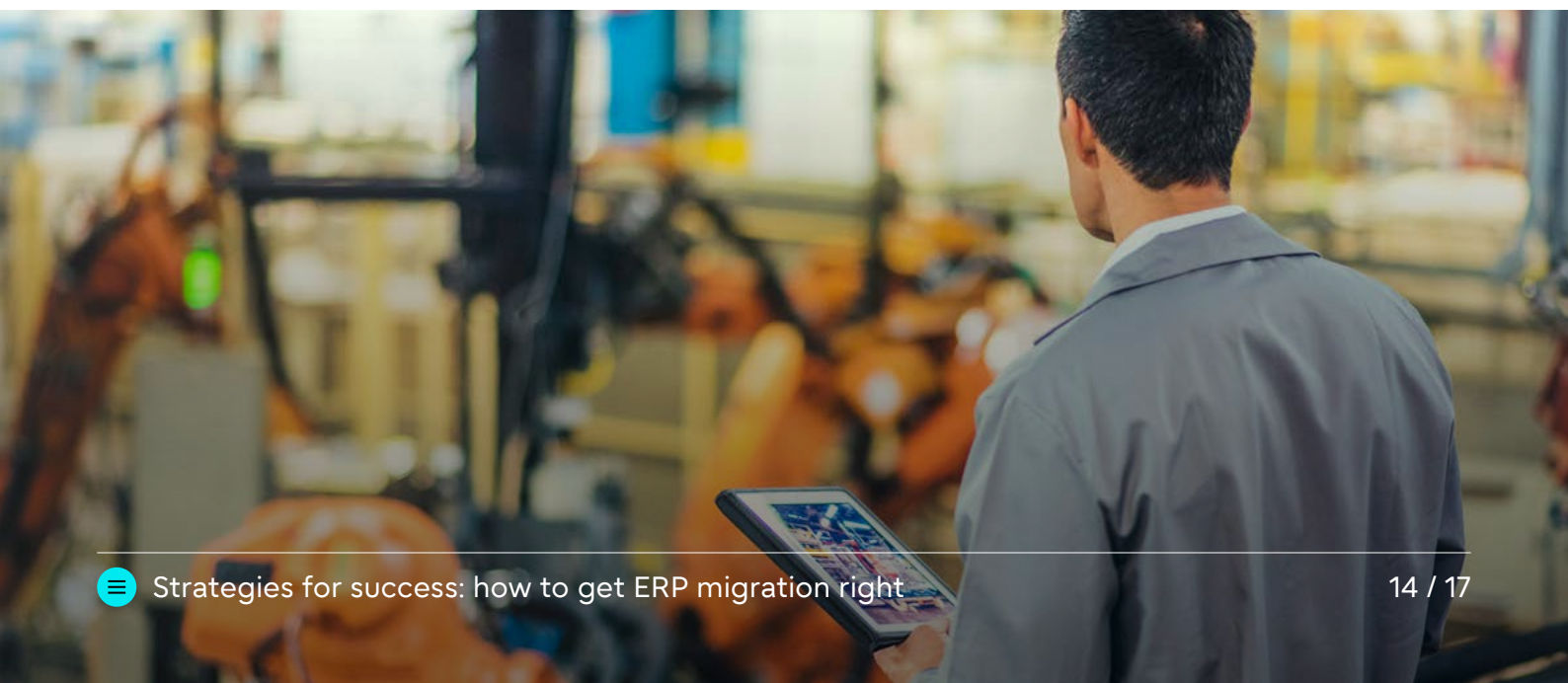
An ERP migration can only ever be as good as the system data: inaccurate, poorly organized, or incomplete data stored within the ERP system can undermine efforts to upgrade.

Nader Anaizi, Honeywell's Data Management Director, said his team faced this during its ERP migration.

"One of the habits we had was simply moving data fields from one system to another without assessing whether it's needed or not," he says. "They would just replicate whatever business process was in the decommissioned ERP in the new ERP. So there was no proper analysis of whether or not that was needed and the data itself, and we ended up proliferating fields that do not necessarily add value to the business."

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Nader Anaizi, Data Management Director, Honeywell





Our Recommendations

The ERP market is growing at a record pace: IDC forecasts that the global ERP market will be worth \$36.5 billion by 2023, representing a CAGR of 5% from 2018. These major investments in ERP are being driven by migration strategies, as companies hope to modernize their core IT as part of their digital strategies.

Cost savings, efficiencies, improved sustainability, and more effective supply chains are the prize if you can master this major transformation – this ‘brain transplant.’ So how do you do it?

Take your time

"Don't think of the upgrade as being the moment that you physically do the project upgrade," says Fujitsu's SAP Practice Director Gerren Mayne. "I liken it to moving house. You don't think about moving house just as the removal van comes up and moves you. Yes, that's the physical element of it, but there's a lot of planning before that. You start to think about where you want to move to, what sort of house you want, what mortgage you'll need, and all those things over a longer period of time. That's the key element: see it as a journey."

Combine the business and IT

"You need to have your very best people on this project," says Mayne. "ERP migration is not an IT project – you need to have people from your lines of business and IT all working on this as a unified whole. So many times, I have seen programs fail because they are seen as IT projects and the IT team works independently from the lines of business. You need to appreciate that SAP is the heartbeat of the organization. You need to look at how this fits into the business challenges and plans, and ensure any migration takes this into account. Often fundamental issues like acquisitions get overlooked – it seems so obvious, but I've seen it many times before."

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