ORGANIZATIONAL READINESS
Today’s executives have more challenges and concerns than ever. In the past several years, executives have had numerous challenges around compliance, environmental issues, global competitiveness, workforce legalization, and technology enablement. And the list goes on. At the crux of enabling any organization to thrive and ultimately excel within a competitive landscape lies a technology framework capable of meeting today’s marketplace requirements while positioning the company for future growth and challenges. Although this may sound trite or obvious, more and more executives doubt their company’s ability to effectively get ready for the change to become a best-run business that fully leverages their technology investment.

This SAP executive insight Organizational Readiness explains the organizational readiness challenges that companies face. It describes – at a high level – how to establish a framework for success, how to meet overall objectives, and how to create an environment receptive to change and prepared for sustainability.

It helps answer the following questions:
- What are the potential organizational change management challenges to my company as we adopt new technology to improve our business processes?
- How can I assess the readiness of my company for change?
- How can I ensure that my organization adapts effectively to change and ultimately becomes a best-run business?
**The Path to Organizational Change Readiness**

There are three fundamental actions company executives should take to ensure that their organization is ready for effective change:

- **Understand the challenges.** Entering uncharted waters can cause fear, uncertainty, and doubt within any organization. To prepare your organization for change, it is paramount that you fully understand the task at hand and the potential barriers to achieving your organization’s readiness goals. Unfortunately, companies are often either unaware or limited in their knowledge of the specific challenges of organizational change management (OCM).

- **Assess your current level of readiness.** Before your organization can proceed on its journey to future transformation, it must first assess where it is. It is important to evaluate where your organization falls on the “readiness continuum.”

- **Implement effective change management strategies.** Successful organizational change results from a well-planned strategy. Create a successful path to organizational change that is tailored specifically to your organization. When properly planned and implemented, change should stand the test of time.

**The Importance of Change**

Maybe change is an overwhelming value proposition. Maybe your organization truly is the only one on the planet capable of meeting your customers’ needs. Or maybe it’s just plain luck. Whatever the reason you have for resisting change, history tells us that any competitive advantage can disappear quickly – leaving an organization to question its future. What was once effective might no longer work as global competition increases, consumer patterns change, or cost pressures escalate.

Organizational change cannot be ignored, considered optional, or left to last-minute planning. The reality is that change is going to happen – whether or not you plan for it. An organization must be prepared to reinvent itself or face harrowing consequences in today’s marketplace. And it is best to manage that transformation deliberately and proactively.

**Enabling Organizational Change**

Employees are typically the backbone of any organization’s original business model. They possess knowledge of undocumented business processes, work diligently to keep customers satisfied, and often compensate for a lack of organizational discipline and structure. But while this business model relies on the heroics of the individual, it is not scalable.

Changing a company’s products, services, or business processes can be a significant undertaking. But unless an organization is capable of change at the employee level, it does not really matter what strategy a company chooses to embark upon. An employee base either unwilling or incapable of change can prevent an organization from excelling and could eventually lead to its demise.

However, the right OCM approach can help your organization achieve the goals set out by the leadership team while ensuring a successful initiative or software implementation project. An organization ready for change has an engaged workforce that collaborates and understands the need for the required changes.
UNDERSTANDING THE CHALLENGES TO CHANGE

As companies become successful and grow, they face new challenges. For example, implementing an enterprise resource planning solution can seem daunting to organizations that are not accustomed to integrating existing systems with a new solution. Developing the framework for a successful implementation requires diligent planning in the areas of governance, scheduling, resources, team roles, and organizational change management. But like any business initiative, getting an organization ready for change can be addressed through a methodical approach. A logical first step is recognizing the barriers to change and understanding their relevance to your organization.

Consider the factors cited in the following figure as positively influencing value achieved from a project: As Figure 1 shows, people-related issues – leadership and change management in particular – are critical success factors. In short, organizational readiness comes down to each and every employee in the company. And a company embarking on a technology change initiative can expect to face challenges associated with their employees. These challenges can fall into four distinct areas:

- **Organization structure change.** Changes in a company’s technology can result in changes in how the overall organization is structured. The impact of new responsibilities, jobs and roles, and reporting structures on the employee population must be considered.

- **Cultural change.** A culture that once defined the organization might face extinction as a company embarks on a new path toward excellence. As a result, even loyal, can’t-do-business-without employees might represent a roadblock to an organization’s future success. To enable the overall success of the company, employees must support and adapt to necessary changes in the company culture.

- **Business process change.** With the goal to become a best-run business, it is necessary for each employee to adopt any new or changed business processes. However, there is often a desire to continue with old and familiar ways of doing business. Employees once hailed as strong performers might be challenged by acquiring new skills. Training and clear accountability enable employees to participate in and actively contribute to a new or changing business model.

- **Resistance to the overall project.** Business transformations demand a significant amount of effort and internal mind share from your employees. They must be capable and willing to embark on such projects.

Leadership and change management were cited most often as the top enablers for achieving value (percentage of respondents selection of influential value factors).

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Strong executive sponsorship</td>
<td>99%</td>
</tr>
<tr>
<td>Strong project leadership</td>
<td>90%</td>
</tr>
<tr>
<td>Strong business process ownership</td>
<td>80%</td>
</tr>
<tr>
<td>Alignment and agreement with the business case across affected groups or divisions</td>
<td>80%</td>
</tr>
<tr>
<td>Organization’s willingness to adopt change</td>
<td>79%</td>
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<tr>
<td>Effective training</td>
<td>73%</td>
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Figure 1: Factors That Influence the Success of a Project

A frank and open assessment of your organization’s change readiness is key to a successful transition to new business processes. A realistic evaluation – and the insight it provides – enables you to develop an effective OCM project plan. Ideally, the journey to organizational readiness should be built into an organization’s technology project plan.

Many organizations, however, feel readiness assessment is an area where they lack the necessary knowledge or expertise. It is important to realize that experienced resources exist that can offer assistance in the assessment process. Much can be leveraged from a partner that has taken this journey countless times.

Regardless of who is involved in the readiness assessment, it involves two important steps: conducting an assessment and asking the right questions.

**Conducting an Assessment**

During an effective organization readiness assessment, you should:
- Determine the current “state of the business”
- Be willing to recognize the issues within your organization that could prevent it from necessary change
- Evaluate and rank the challenges that confront your organization
- Document the specific barriers and challenges

**Asking the Right Questions**

The assessment should provide insight into your challenges and help determine what is required for the path forward. When preparing for any transition, you should ask yourself:
- Can each employee in my organization change and adopt the business processes required for this company to become a best-run business?
- How will employees react to potential changes to the organization structure? Will employees see beyond the organizational chart, or will they allow a new organizational structure to get in the way of success?
- How will the organization respond to a cultural shift?
- Is there going to be resistance to doing business in a new way? Is the long-term employee with more than 10 years of service capable of acquiring new skills?
- Will there be resistance to the project simply because it requires a significant amount of effort?

**Rich Products Corporation**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Consumer products – food</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>US$2.4 billion</td>
</tr>
<tr>
<td>Employees</td>
<td>6,000</td>
</tr>
</tbody>
</table>

**Summary**

In 2005 Rich Products Corporation celebrated 60 delicious years as a family-owned company. Founded in 1945, the company is known around the world as the founder of the non-dairy segment of the frozen-food industry. Rich Products is a leading supplier and solutions provider to the food service, in-store bakery, and retail marketplaces. Like many companies, it faced a variety of parallel business initiatives. SAP was engaged to look at organizational change management (OCM) readiness across initiatives, to address risk management, and to ensure a successful overall business transformation that included an SAP® software implementation.

**OCM Outcomes**

SAP Services provided the following:
- A detailed business readiness assessment for a large cross-functional deployment of SAP software
- A road map and work plan to ensure business readiness and acceptance
Implementing Strategies for Effective Change Management

Effective OCM can provide the framework required to transition an organization once thought incapable of changing into a best-run business. To help ensure successful organizational change, you should:
- **Mobilize the business.** Build a leadership team to furnish resources, drive key messages, remove roadblocks, and assist with problem solving.
- **Manage everyone’s transition.** Develop a clear and consistent vision and then establish a methodical approach to organizational change management. Set up a process that involves relevant stakeholders in key decisions.
- **Prepare people to perform.** Create the tools and transition plans required for the workforce to be successful in the “new” organization. Provide detailed transition recommendations for each business unit.
- **Recognize that change management is both an art and a science.** Organizational change management initiatives sometimes require flexibility and improvisation. The linear pattern typically followed with other projects is not always applicable here.
- **Take advantage of the wisdom of others.** A large part of managing change is putting structure and discipline around a great deal of common sense. Unfortunately, however, when large-scale change is taking place, we all too often bypass common sense in an effort to save time and budget.

As with any project, it is important to determine the specific strategy required for your company and then construct a concise OCM project plan. Only with an effective, executable work plan can OCM be addressed in a manner that ensures lasting results. Merely identifying the OCM challenges facing your company is not enough and does not yield the results you need. You must have the right project plan. And when you implement your plan, you need consistent, strong leadership to sustain changes in your business processes and corporate culture.

Figure 2 further illustrates the need for OCM, showing that organizations that incorporate OCM fully into their initiatives are much more successful overall than those that do not include OCM. On average, leaders (defined as companies that deliver projects on time, within budget, and within scope) invested further in OCM and have a much higher user acceptance score when compared to laggards.

The question is often asked if OCM is necessary, and if it is, how much is enough? Clearly the results from survey participants, leaders as well as laggards, demonstrate the clear and positive impact on ROI resulting from the application of OCM best practices.

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How will you know if the organizational change journey you have begun is on a trajectory for success? An organization properly poised for successful change is characterized by:

- Executive participation and strong sponsorship
- Clearly defined roles, responsibilities, and accountabilities across the organization
- Willingness to provide adequate training at all required levels
- An employee population capable of adopting change
- Most importantly, a commitment to address organizational change management

In addition, the following complementary activities can work together to ensure that the transformation is sustainable and lasting:

- Organizational work practices
- Corporate policies
- Decision-making procedures
- Operating values and behavior
- Stakeholder engagement
- Clear and effective communications

OCM may seem confusing, but a project as critical as organizational change cannot be left to chance. Changing a business to adopt best-business practices can have an enormous impact on the bottom line. Your business must change – and you might discover that this transformation reenergizes your entire organization.

Further Reading
To learn more, contact your SAP representative or click onto the following hyperlinks:

- ASUG organizational change management (OCM) special interest group (SIG)
- ASUG/SAP benchmarking and best practices
- ASUG/SAP OCM survey
- Business Process Expert community – organizational change management
- SAP® Education organization

About the Authors
Kerry Brown is the global practice director of the SAP Organizational Change Management practice. In this role, Kerry is responsible for thought leadership and methodology for change management. She works with customers to scope and craft the appropriate solution for managing change and organizational transformation. Kerry has successfully developed and led cross-cultural teams for reengineering and technology implementations, working with leaders across a variety of industries and enabling them to realize that the fulfillment of organizational competency brings the greatest value to their organizations.

Rob Urbani serves as a senior principal in the value engineering group at SAP and provides thought leadership and technology strategies for midmarket companies. Rob has extensive experience in business process design and improvement. Prior to joining the software industry, Rob spent over 20 years in various research and consulting positions working with companies to develop and execute successful technology strategies.

Enabling Innovation-Based Growth and Business Transformation with SAP
The OCM team at SAP enables organizations to adopt new business processes and leverage SAP software to drive the success of business transformation. It provides support throughout the business life cycle, from gaining stakeholder engagement to aligning organizational accountabilities to driving employee acceptance and performance. Working collaboratively with SAP customers, the OCM team helps them realize the fulfillment of organizational competency while bringing the greatest value from their SAP software investment. The OCM team includes more than 80 professionals worldwide who provide expertise across industries in OCM, business readiness, and organizational adoption and transformation. For more information, please e-mail education.USA@sap.com.

The value engineering (VE) team at SAP demonstrates how to leverage SAP software to drive the success of innovation-based growth objectives. The VE team provides support throughout the value life cycle, from developing the business case to sharing knowledge on how to maximize the value of your investment in SAP software. Each year, the team completes more than 1,500 business cases to ensure that IT projects are not simply on time and within budget, but are also “on value.” The VE team consists of more than 175 professionals providing in-depth industry and business process expertise in strategy, IT planning, global deployments, and benchmarking. For more information, contact value.engineering@sap.com.