



Making It Happen - Implementing front and back office integration

Executive Summary

Modern integrated application suites such as Sage 1000 offer companies a powerful tool for coordinating activity across the organisation to maximise the value delivered to customers and minimise costs. However, achieving such collaborative working between departments previously managed independently of each other represents a fundamental change to how an organisation operates. If a company is to succeed in securing the adoption of such new ways of working, managing the change involved effectively will typically prove just as important as implementing the supporting information system.

Introduction

Powerful forces are driving companies to reconsider how they manage their operations. In most industries, companies can no longer achieve sustainable competitive differentiation simply on the basis of the performance characteristics of their products. The pace of technological development now means that today's product innovation is likely to be quickly copied by competitors and become a standard feature tomorrow. Coupled with this, globalisation is exposing companies of all sizes to unprecedented levels of low-cost competition.

As a result, companies are increasingly being forced to look at how they can increase the value they provide by tailoring their offer more closely to customers' individual needs whether that is through customising the core product or adapting a range of supporting services (e.g. shipping, billing, customer support etc). Implementing such a strategy entails making information about customer requirements captured by customer facing functions available throughout the business so that the resources of the firm can be marshalled to deliver solutions tailored accordingly.

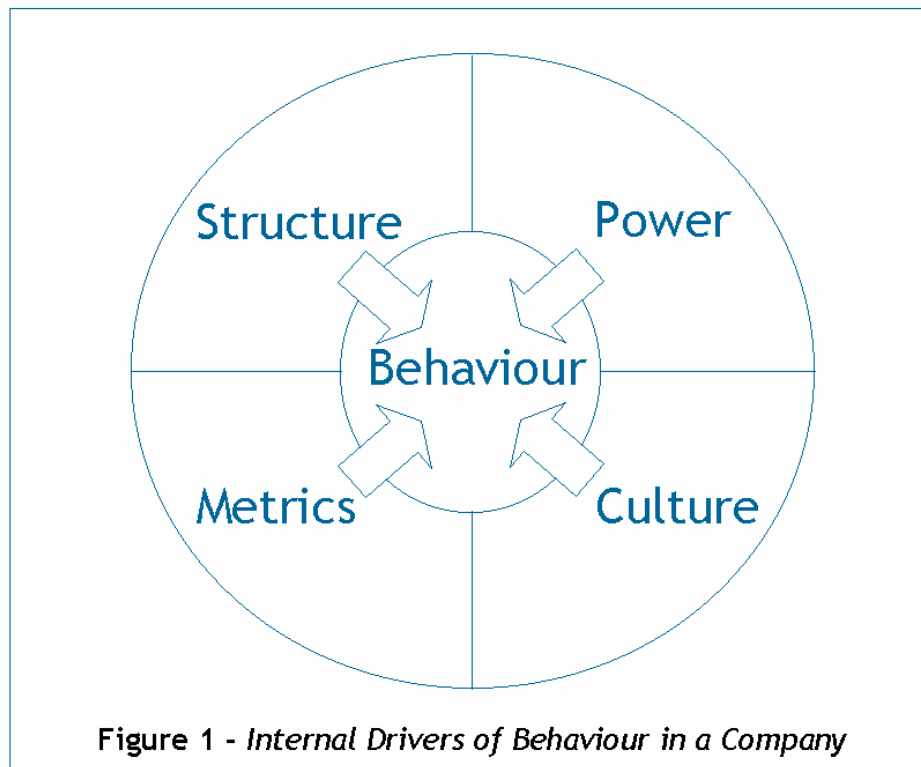
However, achieving such integration of activity between the front and back office involves more than simply implementing a new IT system. Achieving collaboration between parts of the business that have previously been managed completely independently of each other represents the introduction of fundamentally new ways of working. If a company is to achieve such a transition successfully, it needs to ensure that it manages the change involved effectively. In particular, it needs to address a series of questions :

- What changes are needed to support the new ways of working the company is seeking to introduce?
- How should these change be introduced into the company?
- How does the project need to be managed in order to ensure the delivery of the business benefits being sought?

The following paper examines each of these issues in turn.

The Changes Required

As much as one might wish otherwise, how people act within a company is not simply the result of considered, objective reflection about what would be in the best interests of the company. In practice, staff behaviour is driven by a range of factors as summarised in Figure 1 below.



If a company is to integrate activity across the front and back office effectively, it needs to ensure that each of these drivers is aligned with the new ways of working involved. No matter how technically advanced, if a company simply implements an IT system and fails to attend to these other factors, its efforts will be in vain and the collaborative working practices it is seeking (and the associated business benefits) will prove elusive.

Structural Issues

Possibly one of the most obvious areas that needs to be addressed is organisational structure. As illustrated in Figure 2, the value a customer receives from a company is derived from across its operations, with different parts of the organisation addressing their assorted different needs. Thus a customer may have different needs across a company's product portfolio, specific requirements for billing and shipping, needs for particular supporting services and so forth. Consequently, if a company is to deliver solutions tailored to the needs of individual customers, it has to be able to coordinate activity across the company to ensure that their various requirements are met.

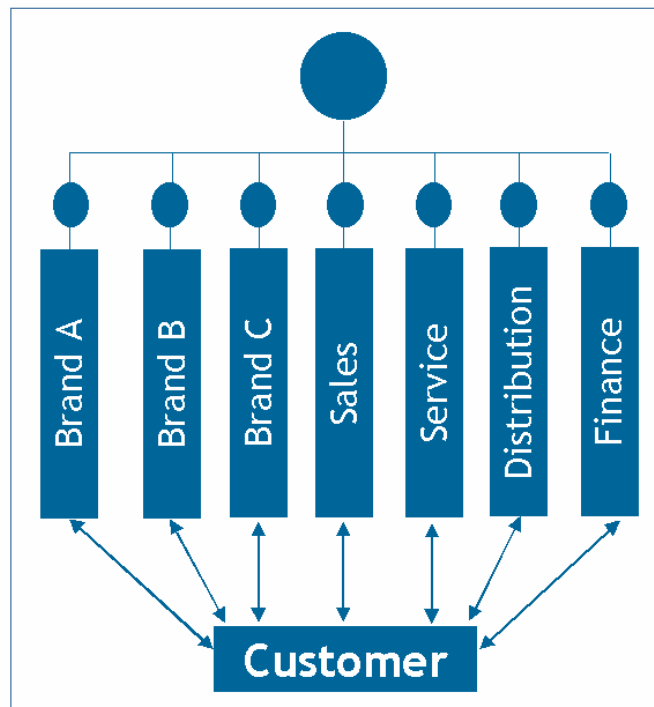


Figure 2 - Silo Based Organisational Structure

However, traditionally, companies have managed their activities by dividing the organisation into a set of functional departments or “silos”, each focusing upon an area of related activity and each tasked with achieving its own standalone objectives. Thus there may be separate silos for the management of different brands, silos for different management functions (e.g. manufacturing, distribution, finance, customer support) and so on.

With the different parts of the business each charged with achieving their own particular objectives and operating largely independently, it becomes immensely difficult to coordinate activity across the organisation to ensure that the various needs of any given customer are met. Moreover, whilst each department may monitor its performance in achieving its own functional objectives, there is typically a lack of any control system to track how well the company is performing in generating value for a customer overall.

If a company is to implement a strategy based around better tailoring its products and services to customers’ needs, it will thus typically need to augment its existing management structures with ones concerned with managing activity across the organisation and ensuring that the assorted needs of any given customer are met effectively.

However, instituting structural change alone will not be sufficient to implement such new ways of working successfully. Other critical areas will also need to be addressed.

“What Gets Measured, Gets Managed”

If a company is to move from managing its activities in discrete product and functional silos to coordinating activity across the company to address the assorted needs of particular customers, it needs to make corresponding changes to the objectives set within the business. If each part of the business continues to be assessed solely on the basis of its individual standalone performance, there will be little incentive for it to collaborate with other parts of the business in the ways desired.

Similarly, implementing such cross-functional collaboration will also entail changes in the roles individual staff are required to play within the business. Consequently companies also need to assess how the new ways of working being introduced will impact on staff job roles and ensure that the bases upon which they are assessed are brought into line with the new behaviours being sought from them. Likewise, the skills required to perform these new roles also need to be carefully assessed to ensure that staff are provided with the necessary training to take on these new aspects of their jobs.

The Importance of Politics

Power within a company tends to arise around those individuals or functions that have made the greatest contribution to the organisation's established way of doing things and its past successes. Consequently attempting to change how an organisation approaches its business can quickly come into conflict with the views of those with the power to stop the project in its tracks. When attempting to introduce change it is thus critical to have identified those with power in the organisation and developed strategies to gain their buy-in.

All too often, companies fail to manage the politics surrounding IT-enabled change programmes adequately. For example, there is often little unity of vision amongst senior management on the role the new ways of working are to play within the business, with no agreed quantified business plan and no consensus on what its implementation will involve. With such potentially divergent views as to what the change will mean to the business, there is immense potential for discord when individuals find that their own particular expectations are not being met.

Similarly, if members of senior management are left unconvinced of the need for the new ways of working, the project team can be storing up immense difficulties for themselves in the future. When problems such as staff resistance emerge (as they inevitably will), there is a great risk that those with power in the organisation will simply interpret this as confirming their doubts about the programme and jettison the project altogether.

Gaining senior management support also plays an important symbolic role. Faced by an apparently endless stream of initiatives, staff can develop profound “change fatigue” and scepticism towards newly announced projects.

Having members of the senior management team ostensibly linked to the project, explaining its significance and vigorously championing it throughout the company can help signal to staff that this project is genuinely important and worthy of their attention.

Aligning Organisational Culture

Companies are full of features that serve to communicate to staff what is regarded as important in the organisation and 'how things are done around here'. Awards, stories about key figures in the company's past and even the layout of the company's offices can all reinforce particular ways of thinking about the business and behaving. Together they serve as cues to create a shared sense amongst staff in the organisation about what is important and how things are done.

If companies fail to align these symbolic aspects of organisational life with the cross-functional ways of working they are seeking to introduce, they are not simply overlooking a useful tool for influencing staff behaviour. Such companies also risk sending conflicting messages to staff about what is expected of them. At best this may cause confusion but at worst it risks suggesting to staff that the old silo based approach is what ultimately matters and that cross-functional collaboration is only a peripheral initiative of low importance.

The Need for an Integrated Response

Company structure, metrics, power bases and cultural symbols are all powerful drivers of behaviour in organisations. They thus represent important tools for supporting the integration of activity between the front and back office. However, if they are not aligned with the new cross-functional, collaborative ways of working involved, they can also constitute major sources of resistance. Failure to adopt an integrated approach with consistent interventions in each area risks major problems.

Thus adapting organisational structure to meet the needs of new processes whilst leaving the bases for appraising functional and individuals' performance unchanged is unlikely to see widespread adoption of the desired new ways of working. Similarly, attempting to intervene in any of these areas without gaining the buy-in of the critical bases of power in the organisation is to court disaster.

In practice, companies implementing IT enabled change programmes tend to underestimate the scale of the challenge involved. All too often, such companies simply focus on end user system training and possibly some general awareness raising workshops about the need for the change. With so little attention paid to these other powerful drivers of behaviour, as illustrated in Figure 3 below, it is not surprising that their efforts typically fail to result in the introduction of the desired new ways of working with the anticipated business benefits subsequently proving similarly elusive.

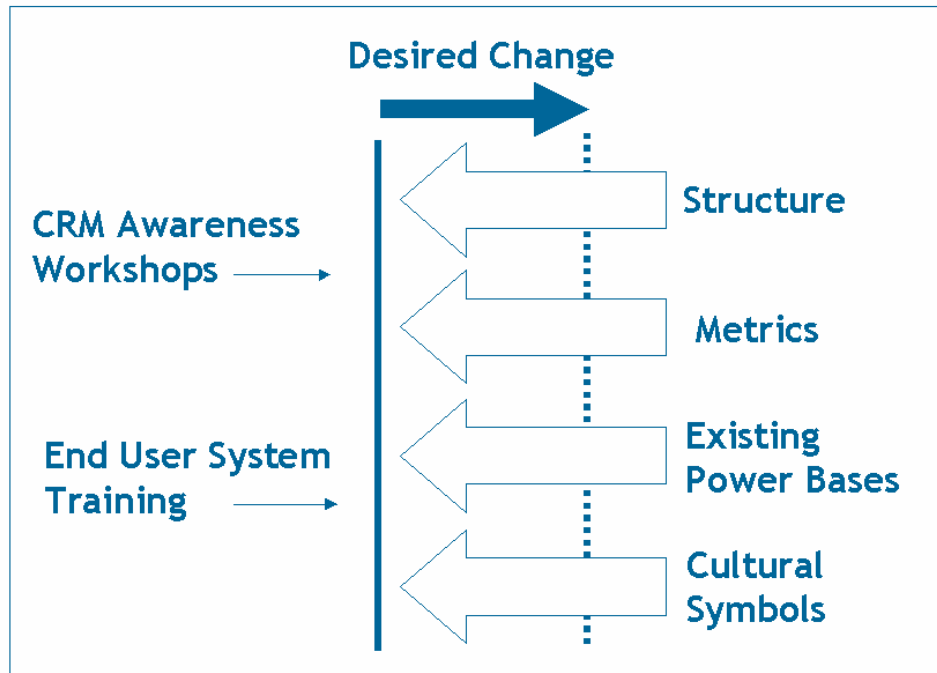


Figure 3 - Supporting and Opposing Forces for Change in a Typical IT Change Programme

How to Introduce the Change

As well as addressing what needs to be changed in order to support the new collaborative ways of working involved in front and back office integration, a company also needs to consider how to manage the process of introducing this change into the organisation.

When designing change programmes, it is useful to consider the different stages involved in introducing change separately as each has different characteristics with different implications for how it should be managed, as summarised in Figure 4 below.

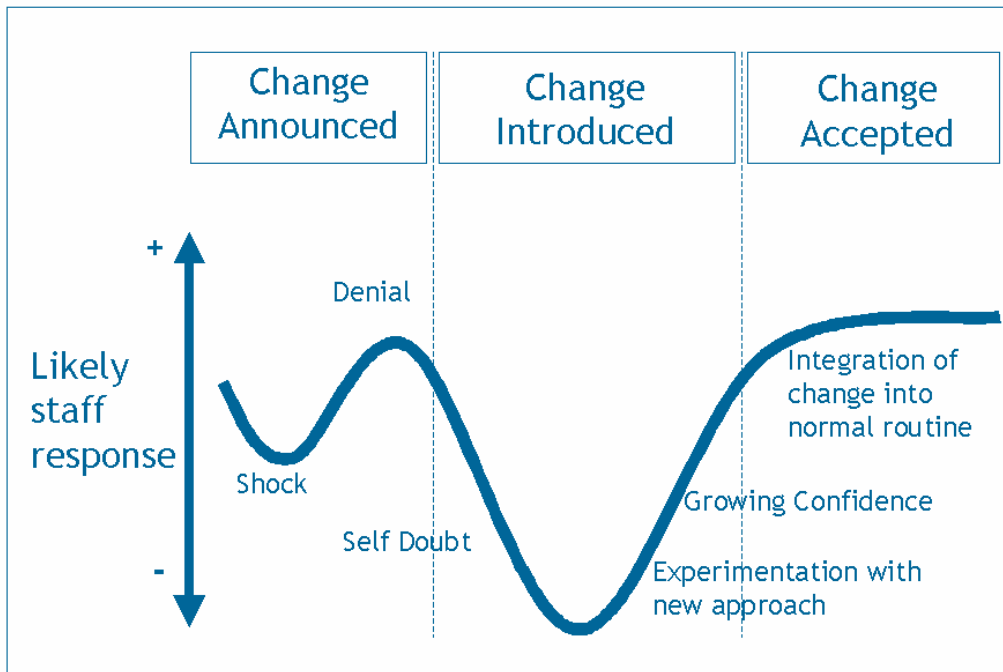


Figure 4 - The Change Process

Announcement of Change

When new ways of working are first announced, the reaction of staff is often one of shock and anxiety. Consequently, before attempting to introduce any changes, the initial priority of the change programme needs to be upon communicating what the change means and why it is necessary. This is particularly important where staff have hitherto been unaware of the need to change from the approaches they have become used to. Failure to build this appreciation before attempting to introduce the change risks overwhelming resistance as staff are unable to see the benefits that all the disruption involved is designed to achieve.

In this regard, measures such as developing 'vision statements' can be useful ways of conveying to staff what the change is designed to achieve, why it is necessary and to give them a framework to understand the initiatives that will follow. Similarly, devices such as setting up staff focus groups and conducting staff surveys can be helpful for monitoring how well the communications effort is conveying these key messages to staff and any areas requiring corrective action.

Introducing the Change

After building an appreciation of the need for the new approach, the company can then turn to introducing the actual changes involved. At this stage, staff anxiety is likely to peak as they are confronted by the need to change from the approaches with which they are familiar. As staff face new ways of working, there need to be interventions in place to provide them with any additional skills they require to perform their new roles and to combat their likely worries about their ability to meet the new demands placed upon them. Failure to do so can see staff confidence falling

to such a low level that they either leave the organisation or instigate massive resistance to the adoption of the new ways of working required.

It is also important that staff's early experience of practicing the new ways of working is positive. As well as ensuring such adequate training provision is in place, it can also be useful to design the sequence of activities in the change programme in a way that results in positive benefits being achieved early on, which can then be communicated to staff to build their belief in the initiative. Building in such "quick wins" into the change programme can pay dividends, building confidence not just amongst staff but other stakeholders such as senior management too.

When introducing such IT-enabled change, a company also faces the decision as to the level to which it involves staff in the detailed design of the subsequent new ways of working. This can critically affect a project's likely success.

Involving staff in the detailed design of the new operational processes that will be entailed in integrating the front and back office can greatly aid the implementation effort. As well as ensuring that the design of such processes is informed by their expertise and knowledge of the realities of 'life on the ground', involving staff in this way also helps build their ownership and commitment to the new ways of working that will be required.

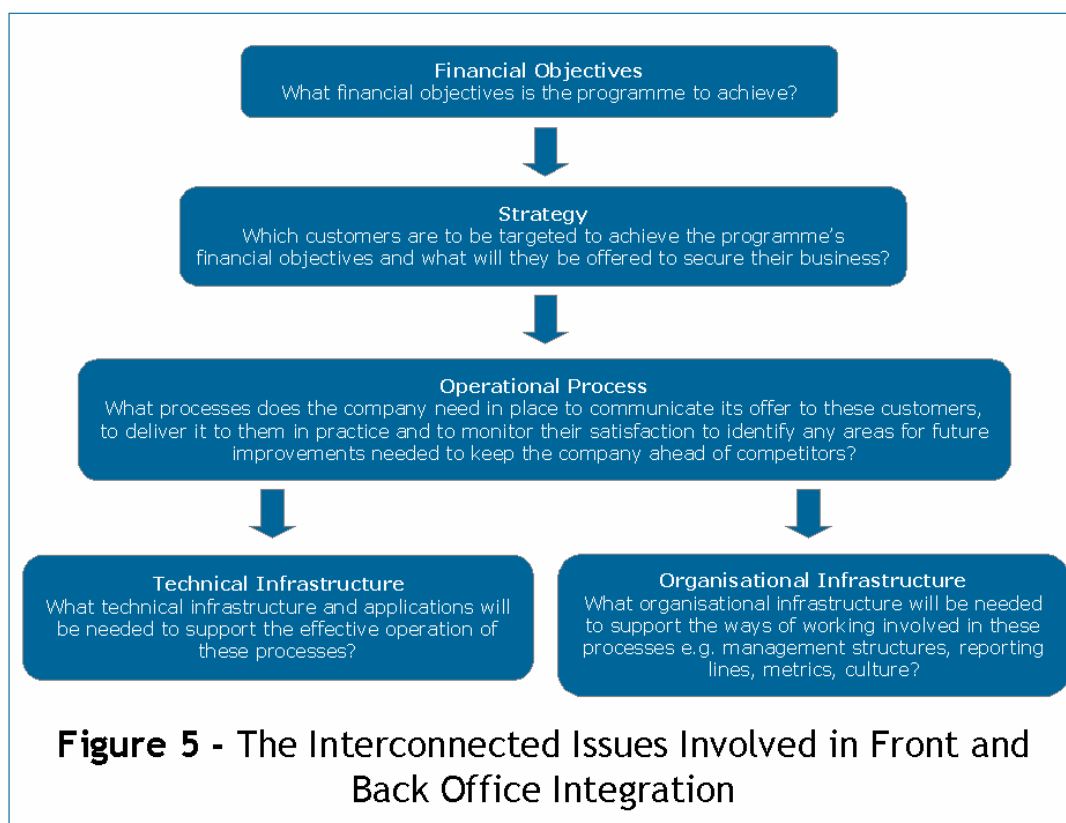
Finally as staff begin to implement these new ways of working, it is critically important that channels exist to feedback any problems being encountered to the central project team so that they can adjust plans or provide additional resources as necessary. Without such systems in place, a company risks failing to identify and deal with any problems in time and allowing them to escalate to such an extent that they either threaten to derail the project entirely or demand costly re-work later on.

Institutionalising the Change

Having introduced new ways of working into the organisation, the final stage is to secure their continued adoption so that they become embedded into everyday operational life. In particular, the company needs to ensure that the structures, metrics, culture and political support in place all serve to support the new cross-functional, collaborative approach to working required. As previously discussed, if the company fails to align these drivers of behaviour with the new programme, staff will simply revert their old ways of working and after a relatively short period of time the new approach will cease to be operational in any meaningful sense.

Project Managing the Change to Achieve Business Benefit

Integrating front and back office functions effectively is a complex affair involving many different aspects of the organisation. If a company is to secure the business benefits it is seeking, it needs to address a whole raft of interconnected questions as summarised in Figure 5.



Each of these issues will be critical to the likely success of the project. For example, as observed earlier in this Paper, if a company fails to put the appropriate organisational infrastructure in place to support the new ways of working involved, the planned integration will simply not become operational and thus fail to deliver the business benefits being sought.

With so many variables, it is critical that a company is clear about the specific objectives it is seeking to realise from the project and how specifically they will be achieved before it embarks upon implementation. Without such an understanding, a company has little hope of identifying where it needs to focus its efforts and can easily become sidetracked or overlook issues fundamental to the project's success.

Thus the overall financial objectives of the integration programme need to be unpacked into the customers or segments being targeted, the level of business to be gained from them and what the company will offer them to gain this business. In turn, the processes required to operationalise this strategy in practice need to be identified along with the levels of performance required of them. On this basis, the characteristics of the organisational and technical infrastructure required to support these processes then need to be specified. Together these measures provide a balanced control system for managing the development of the programme and the diverse elements involved to deliver the business benefits sought.

All too often the metrics used to manage the implementation of IT-enabled change programmes focus purely on milestones for technical issues such as system roll out or end user training. Not only does such an approach overlook all the other areas that need to be addressed, the lack of a clear link between the activities addressed in the implementation phase and the achievement of the financial benefits sought makes it very unlikely to result in the realisation of significant business benefit.

Conclusion

Faced with escalating global competition, companies need to improve how they coordinate activity across the organisation to maximise the value they generate for customers whilst minimising costs. In particular, they are having to integrate activity between the front and back office, using information captured about customers' individual needs to marshal the resources of the firm to deliver solutions tailored accordingly.

Integrated application suites such as Sage 1000 are invaluable as a means of securing the supporting information system required to support such coordination of effort. However, if a company is to succeed in introducing these new collaborative ways of working and achieve the business benefits it is seeking, it also needs to ensure that it attends adequately to managing the fundamental organisational change involved too.

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