

When Corporate Cultures Clash

Grasping the realities of corporate culture can help ERP projects succeed.

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When assessing why enterprise resource planning (ERP) projects fail, most reasons fall into a few distinct categories: lack of understanding, misguided or unrealistic expectations and various flavors of lacking commitment. Arguably each of these reasons can be traced back to corporate culture. Although often cited as a reason for failure in studies, corporate culture is less often recognized as a root cause. This article will focus on the importance of understanding culture, how misalignments occur and steps that can remove culture as an inhibitor to a successful project.

WHAT DOES CULTURE MEAN?

Traditional definitions of corporate culture include terms such as:

- Values, traditions, philosophy and policies;
- Employee beliefs and belief systems;
- Business principles, attitudes and norms; and
- The company's DNA.

These definitions describe the philosophic elements of culture but fall short in defining tangible, observable systems that govern how a company works.

In her book, *Can Two Rights Make a Wrong?: Insights from IBM's Tangible Culture Approach*, author Sara J. Moulton Reger suggests that observed business practices can be considered a surrogate for corporate culture. According to Moulton Reger: "Business practices are the informal rules that tell people how to execute their work. They are patterns of action that members of the same organization exhibit. They are powerful because they make organizations distinct even if they use the same processes, policies, measures and technologies that other organization use." [1]

Business practices are distinct from business processes in that processes describe *what* is done, whereas practices describe the undocumented expectations that tell people *how* it gets done. Delving into the how gets past cultural intentions and exposes the true corporate culture.

It's also important to understand that corporate culture is not a top management slogan. Nor is top management necessarily fully aware of what their corporate culture is. For example, top management may characterize their culture as a one of innovation, while stifling budgets at the operational level all but kill any chance for innovative ideas to germinate. As a result, understanding culture must include gaining business practice understanding from many sources throughout the organization, not just the top.

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ERP AND CORPORATE CULTURE

ERP projects both expose and drive changes in corporate culture. This is especially true for midmarket companies whose legacy business systems and processes have grown over time, often within the vision of the original founders.

Exposing the corporate culture happens in several ways:

- It's common for project teams to represent functions and processes that rarely communicate. This exposes the overall culture and differing subcultures that exist among departments. Ignoring these differences can delay an ERP implementation, or worse.

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Power Cultural Element	Effect on the Project Team
<i>Power is central:</i> It exists almost exclusively at the top of the organization.	The project team may have been 'empowered' to make critical business decisions, when it can, in fact, only recommend them.
<i>Power is disbursed:</i> Decisions are made by consensus and committee.	Individuals or small groups must gain agreement across a wide community to make decisions.
<i>Power is shifting:</i> The company is in the midst of management changes that are creating a power vacuum.	The project team postpones decisions until the power base stabilizes.
<i>Power is punitive:</i> Mistakes are rare since mistakes lead to dire consequences.	Project team members are reluctant to make decisions at all. Even small process changes are avoided if they have the potential to upset someone.

FIGURE 1 Power and Its Effect on Project Decisions

- It's also common for companies to have surprisingly little knowledge of their business practices – the real how of getting things done. Process documentation, if it exists at all, is often old and outdated – and people may not be following it anyway. Once existing processes are documented, the culture within which they were designed is exposed because there is culture – or business practice – wrapped around every aspect of the business. For instance, are people expected to adhere closely to processes or to apply their judgment and do it in a tailored way depending on the circumstances?
- Critical decisions that impact the project and the business expose how decisions are made. Often times, the company culture does not readily support the rapid and far-reaching decision-making process needed for a successful ERP project.
- Most importantly, ERP projects expose how the company views and uses power. Inconsistency, as described in Figure 1, between how power is distributed and used throughout the

organization can be at odds with the basic tenets of a successful project.

In addition, ERP projects themselves can drive intended or unintended power shifts. For example, a company may use the project as a means to centralize or decentralize key business processes. Midmarket companies that grow by acquisition may use ERP projects as a catalyst to implement a shared services model. This process results in power shifts that directly affect the project and how the project team behaves.

ERP projects can also drive positive cultural changes, including:

- Transforming the business from an IT consumer to an IT driver;
- Establishing rigorous processes for implementing new functionality, including release management and change control;
- Instituting an integrated approach to business process operation and design;
- Breaking down barriers to change by institutionalizing the change management process integral to successful ERP projects;
- Removing organizational and departmental barriers; and

- Improving interdepartmental communication.

Indeed, a well-run ERP project has the potential for senior management to reinvigorate and realize its organizational vision, including some important cultural (business practice) changes needed to get there. But this doesn't happen easily or quickly, and it doesn't happen in a vacuum.

CLIENT VS. CONSULTANT

In most cases ERP projects open themselves to additional cultural misalignment by the introduction of an outside party: the consultant. Consultants bring their own culture to a project, which can very easily be at odds with that of their client. This is the very definition of culture clash. Figure 2 shows some of the ways cultural misalignment can occur.

What's striking about the two views in Figure 2 is that, in some respects, they are both "right." No one would argue, for example, that addressing business requirements is wrong. Yet at the same time, it's also correct to create a sense of priority for the requirements so the project has a defined scope.

Still, most consultants will barge into a project ill-equipped to understand and adapt to the client's culture. Indeed, most of them simply ignore it, arguing that they bring with them "best practices" that, if followed properly, ensure project success. Worse yet, client senior management may buy in to the best practices pitch and expect their organization to fall in line without providing the leadership, guidance and assurance the project team needs. This results in a three-way misalignment among the client's senior management, the project team and the consultants. It's also a recipe for failure.

PAVING THE WAY TO ERP SUCCESS

Cultural issues are inevitable in a project as large and complex as an ERP implementa-

STRATEGIES FOR SUCCESS

The Client's View	The Consultant's View
We must address every business requirement.	We should address the most critical business requirements first, leaving others for later.
Previous decisions can be reversed as new information becomes available.	Decisions need to be made once, documented and declared final.
Change only what's necessary.	Be a change agent.
Make the ERP system do what we want.	Implement processes as delivered by the ERP system.
The business is an IT consumer.	The business drives IT.
We know our company.	We know the ERP software.
Get it right.	Get it done.

FIGURE 2 Consultant / Client Culture Clash

tion. However, they can be minimized if addressed with candor early on. Midmarket senior management, their project team and the consultants all have roles to play and actions they can take to start the project on a path to success.

For their part, midmarket companies need to:

- Take time to assess the corporate culture before starting the project. Ask questions such as:
 - Do we have a unified culture or a collection of subcultures?
 - Are there likely to be cultural clashes within a multidepartmental project team?
 - How is power handled within and outside the project?
 - How will the project team make decisions and resolve conflict?
 - Are there positive cultural shifts that can/should result from the project?
 - What is the corporate communications culture and how will it affect the project? Is communication tightly controlled or free and abundant?
- Set up goals, standards and business practices for the project team as if it were a new division.
- Take time to understand the culture of the consultants. In the role of cus-

tomers, midmarket companies may not think this step is necessary, but gaining this understanding before the project starts can avoid cultural clashes later.

At the same time, ERP consultants need to:

- Understand the client's basic power structure and business practices before launching the project. Ask

Consultants bring their own culture to a project, which can very easily be at odds with that of their client.

specific questions about company history, communications practices, etc., and prepare to adapt to the client's culture.

- Focus both on business process and business practice when blueprinting a solution. Understanding both the what and the how reduces surprises and minimizes rework later.
- Help the client maintain a balance between what and how; that is, ERP projects tend to force a redesign of business *practices*, less so business *processes*. Help the client understand that their process (what) is remaining

largely intact, so the changes in practices (how) become less threatening.

- Understand that there are going to be cultural differences between the consultants and the client. ERP projects typically involve a lot of people working in close proximity for a long time. Consider the project a cultural merger of sorts, and realize that so-called best business practices may be at odds with the client's culture.

CONCLUSION

It's no secret that ERP projects drive change throughout the organization. Nearly all companies have some understanding of what changes to expect, but reading white papers, attending seminars and even talking to similar companies about their experience only solves part of the equation.

Midmarket companies especially will benefit from gaining a broad understanding of their particular culture and how it will likely affect their ERP project before it begins. Too often organizations launch ERP projects with a reasonable business

case, budget and project plan, but ignore or downplay those cultural norms that can have the potential to cause conflict later on.

Consultants, too, must make a greater effort to understand their clients' culture and how they differ from their own. This doesn't necessarily need to be a protracted effort requiring significant additional cost; rather, it is becoming increasingly important for all ERP consultants to become culturally aware, culturally sensitive and culturally adaptive. ■

ENDNOTE

1. Moulton Reger, S. J., *Can Two Rights Make a Wrong? Insights from IBM's Tangible Culture Approach*. Upper Saddle River, New Jersey, IBM Press, (2006).

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