

TIPS TO IMPROVE CHANGE

Martin Taylor (pictured) of Allasso Consulting sums up the do's and don'ts in introducing new accounting software.



My first tip for improving the implementation of financial & accounting systems dates back to my earliest experiences in this area.

I was working in the finance department of a FTSE100 company, on a site that employed over 3,000 people. The company ran its three financial ledgers on three different systems, at three different locations.

The general ledger comprised hand-written ledger cards; bought ledger details were entered into an ICL system that produced a payments schedule on disk that was sent to London for processing; and the sales ledger was operated by a different division on another site. Financial reporting was a long manual process, with the final schedules produced on a typewriter...those were the days!

This situation could not continue as the company had expanded and become extremely profitable, so one of the accountants initiated a review of available software and a proposal was presented for introducing an integrated financial system. This would negate all the duplicate data entry and provide a single unified view with the promise of a report writer to automate the financial schedules.

The stumbling block was the financial controller, who could not quite see these obvious benefits as clearly as some of us, and it meant spending some cash. Several rounds of convincing later, he was on board.

So this encapsulates the first tip in this article – ensure your business change is supported and sponsored at the top or spend your time doing something else that is supported.

Even recently, I have seen significant changes proceed, soaking up resources and cost, only for them to be stopped in their tracks because they were not fully supported at the top of the organisation.

To complete the story, the company acquired the new system, implemented it on time and to budget and the benefits realised were beyond expectation. This was before business intelligence (BI) or data warehousing solutions were really established and the expectation was that the system would produce all your financial reporting – and it did.

The system was straightforward and it worked. Don't get me wrong, a lot of hard work went into ensuring the chart-of-account was set up properly and analysing the reporting requirements, but it was worth the effort.

At the time, this significant move forward from manually based record keeping to an integrated electronic system was not handled as a 'business change'. There was a certain degree of planning undertaken but not to the extent that would happen now.

One major advantage in this was having a detailed knowledge of the existing processes and this is my second tip – ensure there is someone on your change team who knows the detail, because we all know that's where the devil is!

The system proved a great success and the investment was leveraged some more a couple of years later with the acquisition of an assets database that fully integrated with the general ledger, generating automatic depreciation calculations and postings for over 7,000 individual assets.

Poor fit

Another key experience was in what became a FTSE250 company operating throughout England and Wales. This company had invested significantly in financial accounting and reporting software that apparently did not fit the business needs, to such an extent that the latter had not been deployed at all. The internal customers were extremely dissatisfied with the system and had been advised that the software could not be changed.

So the third important tip is to ensure that the software fits with your business by engaging with your stakeholders and understanding their needs. Do not decide on the solution before you understand what problems you are trying to solve.

In this case, an internal customer group was established, the additional requirements identified and a proper relationship established with the software provider. The necessary changes were developed (at a cost), tested, documented and implemented. Everyone was amazed that this simple process actually worked and that the changes delivered were what they needed to help run their business better.

After some detailed investigation into the customer group's requirements, it became apparent that the chart-of-account had not been set up correctly to facilitate automatic production of the financial schedules and every one of the seven divisions had a different chart, so consolidation was not as straightforward as it could be.

After consultation, agreement was reached on the changes required to establish a standard chart. These changes were implemented and key financial schedules produced and consolidated automatically. So, fourth tip – if the chart-of-account is not set up correctly, invest the time to get it right as it will be worth it in the long run.

Several years later, the same company adopted a new IT strategy that required new financial software to run on the group's standard operating system and hardware. A change team was set up to review several available solutions that fitted with the IT strategy.

Overall, the due diligence was undertaken well, reference visits were made and a decision taken. Unfortunately the implementation timescale was driven by the new IT strategy introduction, which did not allow enough time to determine the impact of the new financial software on other key systems.

The imposed deadline was achieved but the outcome was not satisfactory and numerous enhancements were identified after the system went live.

So the fifth tip is to always consider and properly plan for impacts and dependencies on other systems. And the sixth tip is to not allow imposed dates to be the driver – this is not always easy to avoid if the decision is being made by a senior manager.

So the financial accounting system was implemented and, over a period of time, the functional fit with business needs improved as enhancements were introduced. However, the budgeting process was based entirely on spreadsheets, which was workable until the company made several large acquisitions and the size of the group trebled. This created significant maintenance and data integrity issues that were subsequently highlighted as a major risk in an external systems audit. The result was a decision to review budgeting and consolidation software.

The team considered a good cross-section of the market and demonstrations were held. But as the decision was being finalised, one of the company's key strategic software suppliers acquired a budgeting and consolidation solution that had not been included in the initial review. A demonstration was quickly arranged and the package was selected – which turned out to be a big mistake.

The package may have fitted perfectly with the overall IT strategy but it became clear that it did not fit the business needs. In addition the (new) supplier lacked the knowledge and resources to support a significant implementation.

The solution was supposed to streamline the budgeting process but to begin with made it even more time-consuming. I would like to think that readers have not experienced this demoralising type of change, which became labelled 'the downgrade'. A downgrade from spreadsheets really is quite a big setback.

So the seventh tip seems an obvious one: ensure you undertake your due diligence comprehensively – credit check, demonstrations, reference visits, pilot – and do not underestimate the time this takes. Resist pressure to fit with a strategy if the product clearly does not fit the business needs; after all, the strategy could be the wrong one.

This company battled away with the software and its supplier, but three years down the track it was still not providing the intended benefits. My eighth tip then is: if it becomes apparent the solution is actually not for your set of problems, make the

very difficult decision to stop the change, put your foot on the ball, review and even cancel. This could save you further time and money that could be used on something that does actually solve your problems.

Market change

In recent years, there has been significant consolidation in all areas of IT, including accounting software. Cognos acquired Lex, then Adaytum and has now itself been acquired, by IBM.

Oracle, with its own ERP solution, acquired PeopleSoft then J D Edwards and more recently Hyperion, whilst its nemesis, SAP, acquired Business Objects. The latest activity is Agresso's proposed acquisition of CODA.

There are still many choices available, but the change you are undertaking must not be underestimated.

Following the tips in this article will improve your chances of getting the change right for your business. There is no easy way through this, but the key is to learn from previous experiences and ensure you deploy the learning in your next business change – which is the ninth and final tip. So in summary:

1. Ensure your business change is supported and sponsored at the top of your organisation – or do something else.
2. Ensure there is someone on your change team that knows the detail of the processes you are trying to improve.
3. The software must fit with your business needs – engage with your stakeholders to determine requirements.
4. The chart-of-account must be set up to facilitate the automatic generation of your financial schedules.
5. Always consider and plan for impacts and dependencies on other systems.
6. Do not allow other dates to be imposed on your change – this is not always easy to resist, but stick to your guns.
7. Undertake your due diligence comprehensively before proceeding.
8. If it becomes apparent the solution is not a good fit, stop the change, review and cancel it if necessary.
9. Learn from previous experiences and deploy the learning in future changes.

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