

# ERP Consolidation: Convincing Others Requires 'the Art of War'

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CIOs seeking to consolidate the number of ERP systems they operate often find themselves at war with subsidiary-based fiefdoms, each insistent on independence. Use "The Art of War" to win.

## Key Challenges

- Many CIOs are tactically outflanked by regional or organizational silos that can stall or even curtail ERP consolidation.
- Business unit (BU) managers care little for the greater good when their key measurement is bottom-line BU profitability.
- A corporate mandate for change is often a luxury. CIOs that fail in their attempts to drive consolidation do so through poor strategy, not poor system delivery.

## Recommendations

- ERP consolidation requires executive sponsorship and involvement from all levels, including subsidiaries. Beware: Voiced agreement by subsidiaries does not guarantee acquiescence.
- Commence an ERP consolidation initiative only if you have first established your overall ERP strategy.
- Build your armory of evidence in support of consolidation, leveraging ammunition from previous or ongoing consolidation projects — successes and failures.
- To prevent incursion, maintain key performance indicators (KPIs) for measuring business benefits at all stages throughout the consolidation project, and ensure that they are embedded and rigorously monitored.

## Analysis

Thousands of companies find themselves gathering ERP systems, whether through changing ERP strategies (or the lack of one) via merger and acquisition activity, or because of a decentralized

organizational structure that allows local BUs free rein to buy and modify their own solutions. Many corporate CIOs seek to consolidate the number of systems they operate to reduce overall IT costs, deliver stronger control across the global organization and manage growth (see "ERP Program Manager's Guide to Mergers, Acquisitions and Divestitures: Overview"). As a result, ERP consolidation has become one of the most frequent ERP-related client inquiry requests among Gartner's analysts.

It is readily considered that the fewer ERP systems you operate, the more controllable the IT environment will be and a lower total cost of ownership (TCO) will result. Gartner surveys reveal that as many as 70% of companies with multiple ERP systems express a desire to consolidate to a single instance or, at minimum, a single vendor. Not all reach this goal.

Many BU clients are concerned that consolidation will be costly and result in less control, poorer system performance locally and a reduced ability to align ERP with the BU's unique business needs, resulting in some companies concluding that a single instance might actually be detrimental to overall business agility. This is particularly true in situations where the level of interoperability between BUs is low (see "When to Consider a Single-Instance ERP Strategy" [Note: This document has been archived; some of its content may not reflect current conditions.]). One option is to go with a two-tier ERP strategy, promising control and consistency, but at the same time providing local BUs with some autonomy and a solution that best suits their size and complexity, rather than forcing compliance to a likely complex, single global solution alone (see "A Two-Tier ERP Suite Strategy: Is It Right for You?" [Note: This document has been archived; some of its content may not reflect current conditions.]).

Throughout the process of deciding on a consolidation strategy, the key is to remain focused on taking the right course for the business, which is to decide (by working with business process owners and business executives) what is best for the company overall, and to select the right number of vendors and instances based on how common or disparate the core ERP business processes are — and then worry about whether you have management backing (see "ERP Consolidation: Standardizing Processes and Evaluating Your Options"). However, even then, some subsidiary management may balk at your plans.

So what should you do if you don't have a mandate from executive management to overrule local BUs to achieve consolidation (once the right course has been determined) and your subsidiaries don't want to cooperate? CIOs can face intense resistance across the business, particularly from BUs that are consistently profitable with infrastructures that, while resembling a patchwork quilt, deliver adequate support and, more importantly, provide systems that have become familiar to users.

In situations where the authority of command is not forthcoming, your strategy may require foresight and skills more often found in a general on the battlefield than in a CIO. One such leader, Sun Tzu, an ancient Chinese military general, strategist and philosopher, passed on many lessons in military strategy that can be aligned to corresponding challenges when consolidating ERP systems. The most important lesson from Sun Tzu is that an adversarial approach to a military campaign (with which a locally unsupported ERP consolidation initiative can be compared) is only likely to protract any conflict. Indeed, conflict should be avoided whenever possible.

In "The Art of War," Sun Tzu says: "To fight and conquer all in your battles is not supreme excellence; supreme excellence consists of breaking the enemy's resistance without fighting. There is no instance of a country having benefited from prolonged warfare." In other words, if you get into a conflict with your subsidiaries, then your ERP consolidation campaign is likely to take longer than necessary or will stall completely. However, in situations where conflict is unavoidable and where the executive authority of command is not forthcoming, what you really need is to understand Sun Tzu's lessons in "The Art of War."

## Learning the Art of War

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"The Art of War" is a published work of quotes from Sun Tzu. Its roots lie in ancient China, where it developed into a military strategy guide to warfare. The work has been translated and interpreted in a number of languages over many years, and it has been used by some of the world's most successful leaders. It was first translated into English in the early 1900s.

"The Art of War" comprises 13 chapters which, in its various translations, have been interpreted slightly differently, while keeping to its main themes. For the purposes of this research, we will use the chapter headings from the interpretation by the Victorian scholar Lionel Giles, which was published in 1910. The 13 chapters provide guidance for successful military engagements. Here, we will consider key strategy guidance collated from successful ERP consolidation projects to which Gartner has been privy and which are reflected in "The Art of War" interpretation. The book provides further lessons, much of which can add value to a consolidation campaign. (To date, no Gartner client has expressed using the actual book during an ERP consolidation campaign.) (For Gartner research which reflects the themes of each of the 13 chapters, see Table 1.)

Table 1. The Art of ERP Consolidation

Chapter	"The Art of War" (Lionel Giles Interpretation, 1910)	ERP Consolidation Advice	Associated Gartner Research
I	Laying Plans	<ul style="list-style-type: none"> <li>■ Ensure a sound global ERP strategy.</li> <li>■ Review two-tier ERP as a potential solution for smaller subsidiaries.</li> <li>■ Don't simply use incumbent solutions without due diligence. You could just be compounding your costs and complexity.</li> </ul>	<ul style="list-style-type: none"> <li>■ "ERP Strategy: Why You Need One, and Key Considerations for Defining One"</li> <li>■ "Two-Tier ERP Suite Strategy: Considering Your Options"*</li> <li>■ "Building Brilliant Business Cases"</li> <li>■ "Project Portfolio Governance Cookbook: Moving to Fact-Based Prioritization"</li> </ul>
II	Waging War	<ul style="list-style-type: none"> <li>■ Pace layer your applications and processes.</li> <li>■ Review cross-charge strategy.</li> <li>■ Evaluate outsourcing and cloud, not least from a cost perspective.</li> <li>■ Instigate application portfolio management.</li> <li>■ Ensure that your approach is user-centric.</li> <li>■ Utilize previous examples of consolidation to build your armory.</li> </ul>	<ul style="list-style-type: none"> <li>■ "What Can Gartner's Pace-Layered Application Strategy Do for an Enterprise's Business?"</li> <li>■ "CFO Advisory: Application Portfolio Management Overview"*</li> <li>■ "Procurement and Sourcing Value: DIY, Services or BPO?"</li> </ul>
III	Attack by Stratagem	<ul style="list-style-type: none"> <li>■ Drive for single or minimal instance, but keep your options open.</li> <li>■ Ensure that the multidiscipline project team composition provides evangelists.</li> <li>■ Choose certified implementation, system integration and support partners where possible, but don't sacrifice in-house skills.</li> </ul>	<ul style="list-style-type: none"> <li>■ "When to Consider a Single-Instance ERP Strategy"*</li> <li>■ "How to Choose SIs for ERP/ Business Application Initiatives"*</li> <li>■ "What CIOs Should Do to Prepare for ERP and Business Application Staff Planning"*</li> </ul>

IV	Tactical Dispositions	<ul style="list-style-type: none"> <li>Assess and test the vendor's implementation methodology, and then ensure KPIs are installed and monitored through every phase.</li> </ul>	<ul style="list-style-type: none"> <li>"Address Six Key Factors for Successful ERP Implementations"</li> <li>"Application Benefits Realization Framework: Metrics and Roles to Improve Business Processes"</li> </ul>
V	Energy	<ul style="list-style-type: none"> <li>Executive support is critical. Ensure a series of quick-fire, tangible value wins to maintain morale and focus.</li> </ul>	<ul style="list-style-type: none"> <li>"Leading an Effective Global IT Organization"</li> <li>"Improving Business Processes"</li> </ul>
VI	Weak Points and Strong	<ul style="list-style-type: none"> <li>Training; do you have the necessary internal skills?</li> <li>Evaluate whether IT or business process outsourcing can provide value.</li> </ul>	<ul style="list-style-type: none"> <li>"Research Roundup: ERP/ Business Application Training"</li> <li>"Magic Quadrant for Comprehensive Finance and Accounting BPO, Global"</li> </ul>
VII	Maneuvering	<ul style="list-style-type: none"> <li>Undertake a pace-layering exercise to establish processes and applications that influence innovation and differentiation.</li> <li>Balance process agility and process integrity.</li> <li>Assess the importance of service-oriented architecture (SOA) for design agility.</li> </ul>	<ul style="list-style-type: none"> <li>"Pattern-Based Strategy: Getting Value From Big Data"</li> <li>"Pattern-Based Strategy Innovation Key Initiative Overview"*</li> <li>"Balance Process Agility and Process Integrity Choices Along the Application Continuum"</li> <li>"SOA Overview and Guide to SOA Research, 2011"</li> <li>"Understanding and Measuring the Business Value of SOA"</li> </ul>
VIII	Variation of Tactics	<ul style="list-style-type: none"> <li>Localization needs can stall ERP consolidation. Assess them at the onset of your project, not as an afterthought.</li> <li>Along with a two-tier evaluation, consider if a regional instance makes sense.</li> </ul>	<ul style="list-style-type: none"> <li>"Realities and Trends in India Localization for Successful ERP Implementations"</li> <li>"Global ERP Template: Management and Maintenance"</li> <li>"Best Practice: Five Action Items to Improve Your Domestic ERP Implementation Projects in China"</li> </ul>

IX	The Army on the March	<ul style="list-style-type: none"> <li>User centricity, innovation is not always global, depending on the maturity of the market.</li> </ul>	<ul style="list-style-type: none"> <li>"IT Market Clock for Enterprise Mobility, 2011"</li> <li>"Using the Hype Around iPads and Tablets to Make ERP More User-Centric"</li> </ul>
X	Terrain	<ul style="list-style-type: none"> <li>Ensure that your providers adhere to established, proven implementation methodologies.</li> <li>Evaluate cloud-based ERP and software as a service (SaaS), even if only for price negotiation.</li> <li>Do not underestimate the challenge of master data management (MDM).</li> </ul>	<ul style="list-style-type: none"> <li>"MDM for ERP: Governance and Data Stewardship"</li> <li>"Hype Cycle for ERP, 2011"</li> <li>"Case Study: Deploying SaaS-Based ERP"</li> <li>"Cloud Computing Innovation Key Initiative Overview"</li> </ul>
XI	The Nine Situations	<ul style="list-style-type: none"> <li>Evaluate TCO across the full enterprise life cycle.</li> </ul>	<ul style="list-style-type: none"> <li>"Successful ERP Projects Require Good Change Agents"*</li> <li>"Squeeze Your SAP Life Cycle Costs With the Right Impact Analysis Tool"</li> <li>"The Key Steps in Your ERP Life Cycle Plan"*</li> </ul>
XII	The Attack by Fire	<ul style="list-style-type: none"> <li>Seek out rapid implementation templates to speed model definition.</li> <li>Look for shared-service opportunities, and review potential cyclically.</li> </ul>	<ul style="list-style-type: none"> <li>"Backup and Disaster Recovery Modernization Is No Longer a Luxury, but a Business Necessity"</li> <li>"Rapid Implementation Packages for ERP Deliver Results, but Handle Them With Care"</li> <li>"Two Factors That Help Identify the BPM 'Sweet Spot'"</li> <li>"Hype Cycle for Business Process Services and Outsourcing, 2011"</li> </ul>
XIII	The Use of Spies	<ul style="list-style-type: none"> <li>Look for business analytics solutions, not business intelligence tools.</li> </ul>	<ul style="list-style-type: none"> <li>"Gartner's Business Analytics Framework"</li> </ul>

\* = This document has been archived; some of its content may not reflect current conditions.

Source: Gartner (May 2012)

## Sun Tzu Says ...

**"The art of war is of vital importance to the state."** In the case of ERP consolidation, this importance may not be self-evident to management. The lesson to infer is don't go it alone. Standard advice for any IT-related project is to garner executive sponsorship to increase support for, and the eventual success of, each project. However, this is more true than when seeking to consolidate enterprise-level systems like ERP. Unless you are one of the lucky CIOs who has the power to veto local initiatives and dictate the global system strategy, then you are likely to have fiefdoms in your business. Do not underestimate how hard it is to win over these BUs.

**"The general who loses a battle makes but few calculations beforehand. Thus do many calculations lead to victory, and few calculations to defeat."** In other words, develop a sound ERP strategy, but calculate in potential deviations to the plan to avoid surprises. Surprises are your enemy and generally increase your TCO. If you commence battle without a clear ERP strategy, then you will not convince others in the business to back your consolidation initiative, nor will you attain success. (For information related to the importance of an ERP strategy, see "ERP Strategy: Why You Need One, and Key Considerations for Defining One.")

**"It is a matter of life and death, a road either to safety or to ruin. Hence it is a subject of inquiry which can on no account be neglected."** The advice here is not to become outflanked through critical inquiry by regional or organizational fiefdoms, which can stall or even curtail ERP consolidation. There are many types of fiefdoms and you'll probably be aware of them already as they are likely challenging in other situations. The most difficult to convert are profitable, self-sufficient BUs that see ERP as a necessary evil that only they can tame. You might imagine that such BUs would relish a modern ERP system. In many cases, its management will outwardly support the receipt of corporate funding for a new system; what it doesn't want is to lose control or inject any risk that might jeopardize its short-term performance. The BUs' management will fight at all costs to remain independent of a corporate dictate, and will back up its argument with strong revenue numbers, posturing that any change to the "working" systems done without its full control would put profits at risk.

In the same way that two-tier ERP can provide a viable solution where complexity or business variance denies your ability to arrive at a single instance, it can also provide a solution where subsidiaries hold the balance of power. However, first you need to build knowledge of the battle terrain. (For more on two-tier ERP, see "Two-Tier ERP Suite Strategy: Considering Your Options." [Note: This document has been archived; some of its content may not reflect current conditions.]

**"In your deliberations, when seeking to determine the military conditions, let them be made the basis of a comparison."** The lesson here is do not consolidate around incumbent solutions without due diligence; you could simply be compounding your costs and complexity. Many companies seek to utilize incumbent systems and experience. This can result in success, but, in

many cases, incumbent systems are old or heavily modified. It may be better to reimplement on the latest version of one of these products to remove modifications, realign business processes to modern methods and reduce the cost of custom integrations. However, new versions of many of the leading ERP solutions are significantly different from older versions. The in-house skills you value so much may be out of date. In addition, while you're reimplementing you should also test the market to satisfy yourself (and others) that an incumbent solution, partner or vendor is still right for your business. If you don't evaluate the market, then you possibly leave a potential chink in your armor for others to exploit if things don't go as planned.

**"The good fighters of old first put themselves beyond the possibility of defeat, and then waited for an opportunity of defeating the enemy."** Establishing a winning business case for ERP consolidation requires forays into subsidiary territory for intelligence gathering, so spend time understanding your global and local requirements.

"The Art of War" breaks intelligence into five categories:

- **Way** — To wage war, you first need to establish the economic arguments of warfare, as well as appreciate the importance of quick wins. Successful military and business campaigns demand limiting the cost of competition and conflict. More than anything else, a successful campaign requires a solid economic argument for change. Evidential proof of cost savings will win the battle every time, so measure the value of your ERP, and of current inefficiencies (see "How Do You Expect To Get Value From ERP If You Don't Measure It?" [Note: This document has been archived; some of its content may not reflect current conditions.]).

Build your armory of evidence in support of consolidation, leveraging ammunition from previous or potential collaborative consolidation projects. Look for examples of potential consolidation projects that have either been successfully undertaken or that could produce high cost savings, quality gains or measurable customer service increases. Potential projects include e-procurement, e-invoicing, CRM implementations and other shared-service examples, including financial, logistics (transportation is a good example) and human capital management (HCM).

- **Seasons** — Many companies are driven by seasons, calendar-based or not, and these can greatly influence your ability to consolidate to a time scale. It could be the release cycle of new products, particular corporate events, the start of the sporting season, etc. Consolidation plans must take key dates into consideration to reduce the chance of downtime or excessive data reconciliation or cleansing. On the plus side, consideration of impactful local dates can sweeten the temperament of local BUs.

You must also consider key changes at the corporate level and dovetail these with local changes. Scope the overall project across every BU to capture as many model variations as possible upfront. Companies often fail with global ERP consolidations because they target the highest-revenue-impacting BUs in the model definition, leaving smaller BUs outside the model, assuming they will fit later.

- **Terrain** — These regional or global business pressures can dictate the necessity, speed and order of change. For example, is the business beginning or increasing operations in certain countries or regions? Your consolidation plan will need to account for these entities and may have to act to support these groups first, ahead of the global consolidation plan.

An increasingly popular solution to this issue is to implement a centrally defined and managed, preconfigured ERP solution. Most leading ERP suite vendors now offer preconfigured templates to speed implementation, while limiting local modifications that may prevent future consolidation. Examples include SAP Business All-in-One, Oracle Accelerate Solutions and Infor Lawson QuickStep.

- **Leadership/Landscape (Political and IT)** — It is important to understand who fits where in the organization — not based on the organization chart, but by executive influence. BU managers may have worked alongside executive management in early years and can derail consolidation plans with a single call. Also, consider the history of the board members and executive management. Check their previous employment and the systems to which they have been exposed. This history often drives corporate directives and prejudices. Few CIOs carry out due diligence in this area, but it can have a big influence on consolidation plans.
- **Management** — Just as you need executive support, you also need support within the BUs. A key component of any consolidation battle plan is the recruitment of double agents who act on your behalf within their BUs. To this end, convene a cross-business change management team under the guise of an advisory committee to represent the BUs centrally. The team's job encompasses three distinct roles:
  - Business model definition team
  - Change management police
  - Solution evangelists

By including the BUs in the determination of the way forward globally, you also disarm them as they become part of the solution. *The evangelism role is the most impactful role in the consolidation project.* The cross-business change management team members quell or overrule negative viewpoints, and stimulate user acceptance and a feeling of inclusion. Don't underestimate the importance of this role, and raise the team's profile at every opportunity.

## Recommended Reading

*Some documents may not be available as part of your current Gartner subscription.*

"Applying Pace Layering to ERP Strategy"

"Determining the ERP Suite Strategy for a Newly Merged Enterprise"

"User Experiences Confirm the Business Value of Application Standardization"

"Use a Pace-Layered Application Strategy to Clean Up ERP During Upgrades and Consolidation"

"How to Learn to Love Your ERP (Again)"

"Cut Indirect Costs Now With E-Procurement"

"E-Procurement by the Numbers"

"Leverage CRM Lead Management KPIs to Link Marketing Investment to Business ROI"

"ERP Program Manager's Guide to Mergers, Acquisitions and Divestitures: Overview"

This is part of a set of related research. See the following for an overview:

- Life Cycle Guide to ERP Research, Update 2012

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