

## EXECUTIVE INSIGHTS

### Knowledge Transfer Enables Enterprise Performance

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#### INTRODUCTION

The operational success of enterprise application investments is largely contingent upon the speed, proficiency, and skill with which employees can execute business processes using the technology. Therefore, organizations should devote significant attention to establishing a workplace environment (culture and infrastructure) that allows employees to continually access the learning and performance support resources they need to use the applications when performing their jobs.

This study, which discusses the impact of *knowledge transfer* — the conveyance of purposeful information to the people who need it to perform their jobs more effectively — on enterprise solution success, is based on two primary research sources:

- ☒ Ongoing research of IDC's Learning Services Research organization
- ☒ Research conducted by Carleton University's Sprott School of Business, sponsored by SAP University Alliances, to examine organizations' process institutionalization experiences vis-à-vis enterprise solution implementation

A growing body of research shows that organizations that invest in "human factors," namely change management and knowledge transfer, are more likely to realize value from their enterprise solutions.

#### SITUATION OVERVIEW

Organizations worldwide continue to adopt, replace, and modify enterprise applications to accommodate business processes and data sharing policies established to drive revenue growth and drive down costs. IDC predicts spending on enterprise applications will grow by 2.5% in 2004 to reach \$24.8 billion and will not slow for the foreseeable future. A recent IDC study covering 600 organizations shows that a rejuvenated enthusiasm among new and experienced users seeking efficiencies in the way they run their operations and serve customers will partly account for this expansion (see *Mapping 2004 Enterprise Applications Spending Plans Across Company Sizes and ERP Users*, IDC #30729).

#### Roadblocks to Value

To optimize their enterprise application investments, these buyers will have to avoid common mistakes made in recent years. Those who spend wisely will execute with the conventional wisdom that technology will not create value simply by its deployment. Many organizations have learned this the hard way. IDC's conversations with and surveys of organizations that have implemented and upgraded enterprise solutions over the past decade have revealed that along with the many benefits (e.g., rapid access to customer, supplier, or employee information) come major obstacles to

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value realization. Challenges to enterprise implementations and upgrades generally fall into two categories: technological or cultural. Examples of technological obstacles include difficulty integrating these applications with existing systems and insufficient functionality.

Technological obstacles seem to occur far less frequently than cultural hindrances, which typically manifest themselves as resistance to change in process. This includes resistance to using the technology or to adopting and adhering to policies and procedures set forth by upper management. Resistance to change may be intentional, as in the case of a professional services firm IDC studied in which sales associates hoarded data in their own "shadow systems" to maintain sole control over their clients, or unintentional, as in the case of a global bank in which many branch employees were unfamiliar not only with PCs but also with how to use a Windows-based customer relationship management (CRM) application.

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## A Focus on People and Process

A recent IDC study of enterprise application deployments by 72 companies operating in the Asia/Pacific region found that many organizations underestimate the organizational impact (i.e., the human factor) of business process redesign that has led to the implementation of the technology. The result is slow or no adoption, which hinders organizations from realizing the value of their investments (see *Enterprise Applications Case Studies Analysis — Trends and Challenges*, IDC #AP321249K).

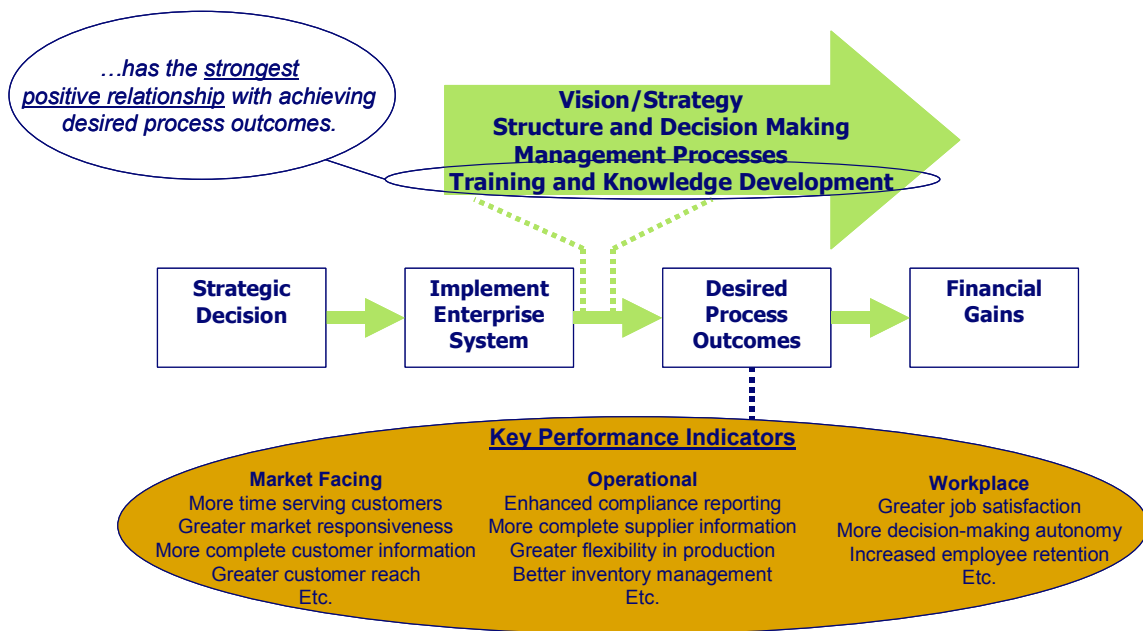
Similarly, a study of more than 100 North American SAP customers conducted by Carleton University's Sprott School of Business suggests that firms should concentrate their efforts on four *interrelated* success factors when implementing and upgrading their enterprise systems to achieve the outcomes depicted in Figure 1:

- ☒ **Vision and strategy.** To initiate process redesign, executive sponsors must align their efforts across the enterprise functions that have roles to play. Furthermore, executive sponsors and middle managers need to support and communicate key organizational and individual objectives to all parties involved to obtain buy-in to the redesign of business processes.
- ☒ **Structure and decision making.** Organizations often need to restructure so that process ownership and management reaches across functions. This may involve the creation of new groups to specifically support processes (e.g., global procurement group) and most certainly involves establishing guidelines related to the redesign of individual job roles.
- ☒ **Management processes.** At the time of implementation or upgrade, most organizations know at some level how a set of "as is" processes (e.g., managing customer accounts) is working. It is imperative for process managers in different divisions, including IT, to support change by clearly documenting how new, "to be" processes will be carried out. They also need to establish clear process-based metrics and outcomes (e.g., 20% increase in sales to existing customers) on an ongoing basis.

- ☒ **Training and knowledge development.** Changes to systems and processes necessitate changes in behavior. While usability of the system is critical, developing employees' understanding of *why* and *how* they should make use of the technology is critical to acceptance, and ultimately, performance on the job. Therefore, organizations need to establish resources that support the educational needs of all groups — end users, super users, IT pros, and senior executives.

**FIGURE 1**

Driving Process Success



Source: Catherine Hajnal and Gerald Grant, 2003; IDC, 2004

## KNOWLEDGE TRANSFER DRIVES PERFORMANCE

Carleton's study of SAP customers indicated that of all critical success factors, "training and knowledge development" has the strongest positive relationship with achieving desired process outcomes. According to Carleton researchers Catherine Hajnal and Gerald Grant, firms that had trained most employees to understand and, where necessary, execute business processes were more likely to report:

- ☒ An increase in flexibility and responsiveness in delivering product and services to their markets
- ☒ Managers and employees have access to complete customer and supplier information
- ☒ Employees can effectively absorb data generated by the enterprise system and use it in their decision making

These findings come as no surprise. IDC has worked with a number of organizations whose major systems investments yielded disappointing returns largely because they treated employee education as an afterthought. Just as enterprises invest in building and maintaining the integrity of their applications over periods lasting several years, they should invest in improving and sustaining the competency levels of the people who leverage the applications to do a better job. Training and performance support resources should address not only transactional use of the technology but also the ways in which technology-enabled processes enable better decision making and improved performance. By investing in the competencies of their people, several organizations that IDC has studied in recent years have effectively used knowledge transfer to drive successful implementations and ongoing use of their enterprise solutions.

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## Knowledge Transfer and Implementation

Investments in practical forms of training help to minimize the risk exposure of enterprise application implementations. Whether resistance to change is intentional or not, when employees are left alone to deal with new changes imposed by management, frustration will lead them to revert to old behaviors (or make frequent calls to the help desk). Building up confidence through effective knowledge transfer can mitigate these sticking points. Knowledge transfer is not limited to learning keystrokes. Members of the target audience may not see the relevance of the new technology to their job roles, and education tightly linked to their day-to-day activities can facilitate the adoption of a new mind-set.

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In the case of a financial services firm, for instance, nonbranch employees initially pigeonholed their CRM system as a sales tool useful only to those who deal with customers face to face. It was not until "power users" introduced these employees to scenario-based simulations that they fully understood how it applied to their individual job roles. For this firm, simulations acted as both an *instructional medium* and a *communications tool*. Management was able to leverage simulations to generate support from the people whose skills needed to directly support its new commitment to customer responsiveness. Without this communication or development of employee competencies, this initiative would have failed and imperiled management's strategic goals (for more information on this case study and others, see *Training Drives Enterprise Application Success*, IDC #28119).

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## Ongoing Knowledge Transfer

The need for training does not end once the application is rolled out. Organizations have also found success implementing an infrastructure that serves the ongoing learning needs associated with enterprise solutions. These needs typically arise when:

- A new employee is brought onboard or an existing employee changes roles.
- An employee forgets how to use a system feature he or she needs to apply.
- A system upgrade takes place.
- An employee or manager further enhances the business process.
- A change to a law necessitates a change to a process(es).

A couple of years ago, IDC studied a global manufacturer upgrading its ERP system. The company had suffered a reduction in customer service levels during its first major move to an ERP platform, and it did not wish to repeat the experience. A review of the initial rollout revealed that users did not understand the business processes they were performing, which led to errors when they used the system. These busy hourly workers scattered across the globe did not have time to participate in extensive training programs. Moreover, many did not have easy access to a classroom facility.

The firm's training organization worked with an external services provider to develop a blended learning experience consisting of a portal explaining the upgrade schedule and changes in processes, a Web-based course containing simulations targeted at different job roles, and local change agents who encouraged employees to utilize these learning resources. The group measured its success largely using one operational metric closely monitored by its IT department: the number of help desk calls fielded. During the first ERP rollout, this workload increased to more than 50 calls per day.

Much of the training and support content built for this upgrade was designed with input from the IT help desk saddled with these calls. To ensure ongoing knowledge transfer, the training group worked with a consultant to build a Web site with frequently asked questions and Web-based simulations customized for different job roles. Local super users were also available to guide people through the system. After this upgrade, the call volume actually dropped from a steady state of 30–40 calls per day to fewer than 10. The firm attributes this 75% improvement largely to employees' use of the learning resources made available to them (see *Blended Learning and Business Change: Customer Strategies*, IDC #29802).

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## CONCLUSION AND ESSENTIAL GUIDANCE

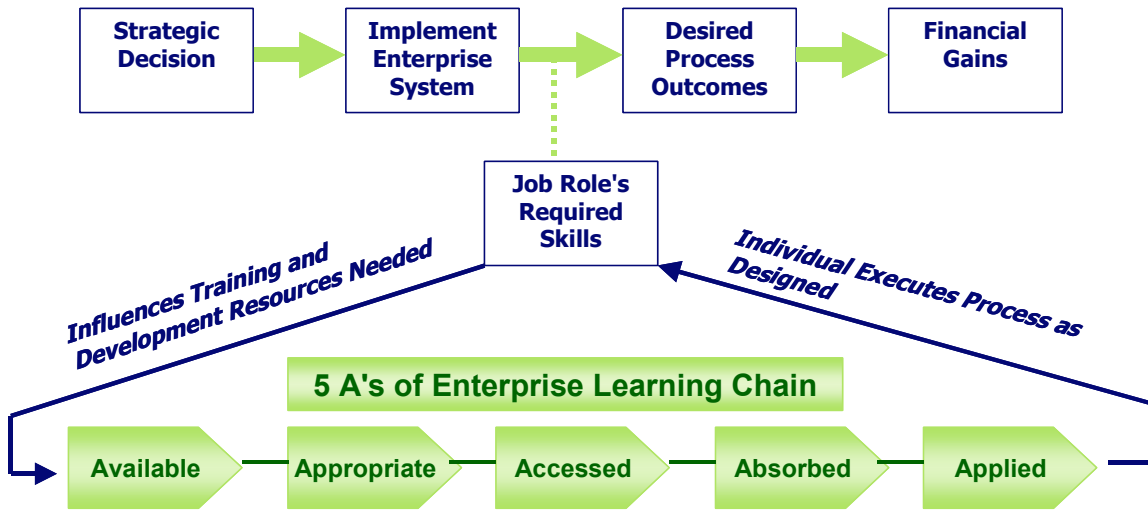
The research referred to in this document demonstrates that the "training and knowledge development" factor plays a crucial role in driving the success and value of enterprise solutions. Solution sponsors, both IT and line-of-business (LOB) executives, find that their major systems investments yield subpar returns when they are not accompanied by comparable efforts to align, involve, and vet all key stakeholders. These efforts include clearly communicating a vision for the organization and mapping out the systems and processes individuals and groups need to employ to realize this vision. This means that enterprise solution sponsors must also enable the respective process managers to establish a learning infrastructure that individuals can use to leverage the applications in the course of their daily work. This concept is reflected in what IDC has dubbed the "5 A's of an effective enterprise learning chain" (see Figure 2, which builds on Figure 1):

IT and LOB executives who sponsor an enterprise solution need to also support process managers' efforts to establish a learning infrastructure that helps employees leverage the solution, in the course of their daily work, in order to improve their individual and their organization's performance.

- ☒ Learning content must be both *available* and *appropriate* to a set of potential problems. If the content is believed to be available and appropriate, it is more likely to be accessed.
- ☒ If it is *accessed*, it is more likely to be absorbed.
- ☒ If it is *absorbed*, it is more likely to be applied.
- ☒ If it is *applied*, it is more likely to drive accomplishment.

**FIGURE 2**

Establishing an Effective Learning Infrastructure



Source: Catherine Hajnal and Gerald Grant, 2003; IDC, 2004

As some of the earlier examples described, flexible "blended learning" environments that augment classrooms and access to experts with live elearning sessions and simulations have proven to be practical when developing and refreshing skills related to enterprise solutions. Live, online classes have allowed organizations to efficiently engage users who may be scattered across the globe. Through repetition and practice in a simulated environment, an unfamiliar audience can efficiently learn how to properly use a new application. Furthermore, access to subject matter experts (i.e., power users), elearning content, and documentation plays a key role in the ongoing success of an enterprise solution (e.g., to refresh knowledge of uncommon activities and to address small changes to processes or functionality). In addition, cost savings often are associated with blended learning: direct costs such as training facilities and indirect costs such as employee time spent away from the job.

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For organizations that are serious about establishing competitive advantage by empowering their people to make decisions and execute processes using enterprise applications, building a learning and knowledge sharing culture and infrastructure that meet the tenets laid out in the 5 A's for employees is not an option — it is an imperative.

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