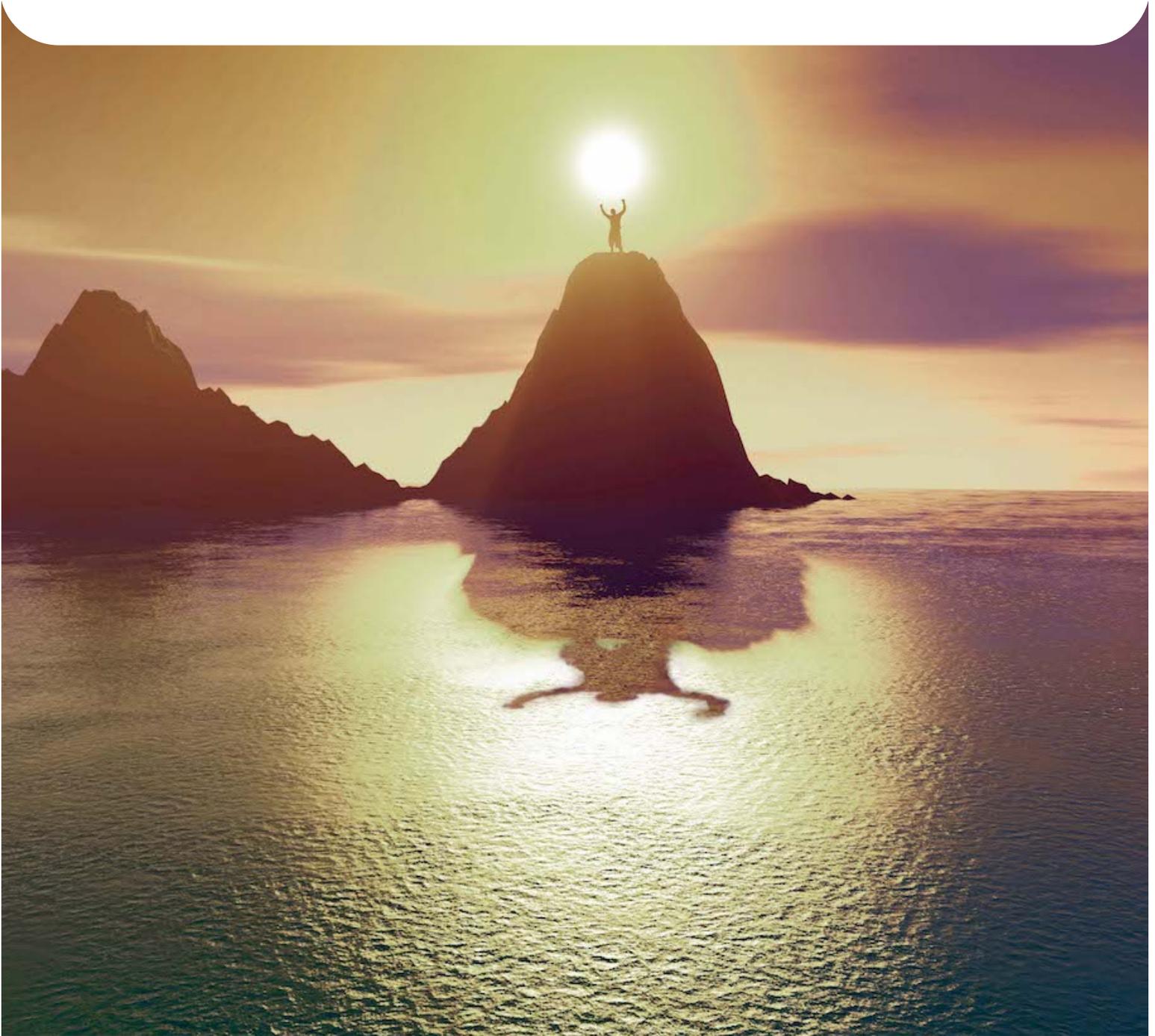


Change in the E-Suite: Enhancing the Value of Retail Solution Implementations



The most successful retail solution implementations
are often robbed of value
by the lack of a true change management mindset
in the Executive Suite.

Despite the best intentions, senior executives can create major challenges to realizing benefits from *technologically* successful solution implementations through lack of alignment on the new systems' objectives and processes *or* by adherence to old ways of thinking and doing business. On the other hand, supportive and engaged leadership can actually enhance or accelerate business value in the form of more efficient business processes, streamlined implementation efforts, reductions in re-work both during implementation and steady state, and increased adoption of the new processes and system.

Somewhere in the middle are many executives who intrinsically know they need to adopt and promote a change management mindset to fully realize the project's objectives, but they do not have a solid grasp of the commitment and resources required to effectively carry out the program. Nor do they fully understand how to start.

The benefits promised by most strategic retail solutions are often locked within both the software and the organization, and we have found many times that senior executives hold the keys to realizing the most value from a new solution. The following areas are typically fraught with difficulty, yet also hold the most opportunity both before and after implementation:

- Project sponsorship at the appropriate level
- Focus on resources and collaboration
- Strategy and policies which support the initiative

In this Point of View, we will explore each of these challenges in more depth and then outline key considerations to help optimize the benefits realized from a retail solution implementation through deeper engagement from the executive level.

Sponsorship

The Project Sponsor is one of the most important roles that senior leaders play in transformational initiatives, especially those supported by new technology. Yet, we frequently see cases in which sponsorship is delegated down to subordinate roles – frequently director-level and below. Most often, this is because senior leaders feel they are unable to clear their decks sufficiently to play the lead role in running an implementation – they are often reluctant to dive too deeply into one area, for fear of

neglecting others or because they do not want to be too deep “in the weeds.”

Sponsorship & Decision-Making

must be at the

highest level

Ideally, active project sponsorship resides at the highest levels of the organization. Sponsorship by the Chief Executive Officer (CEO) is ideal, but other C-level roles can also serve well, depending on the main business functionality of the

system, as well as the company’s reporting structure. A vice president role would be the next best level to serve as the Project Sponsor, but relying on roles beneath the vice president level can hamper the impact and effectiveness of this key project position. A director-level role or lower is generally too subordinate to command the type of leadership involvement necessary for the most beneficial outcome – especially in the cases of large and multi-functional implementations.

A key reason for placing high priority on senior leadership involvement in a solution implementation is because configuration decisions for advanced retail systems typically have significant strategic implications. Such decisions must be made at an appropriate level to fully understand, define, influence, and perhaps even change the company’s overall positioning or strategy in the marketplace. Once the solution is live, senior leaders are instrumental in driving adoption and compliance, especially when it comes to convincing recalcitrant associates to accept system outcomes and recommendations that may be much different than the previous ways of operating and even viewed as counterintuitive.

The best tool for influencing the executive suite to be effective sponsors and to appoint appropriate project leadership is often a convincing business case. Large-scale transformational solution implementations typically have extremely high returns. On a

number of retail solutions assessment and implementation projects, Parker Avery has performed detailed ROI evaluations that demonstrate significant measurable benefits for improvements in sales, margin, and inventory turns, frequently seeing annual returns in the tens of millions to the bottom line. Understanding the ultimate stakes are indeed very high should make it easier to convince senior executives that “one of their own” should be named Project Sponsor.

Resources and Collaboration

One of the Project Sponsor’s key project duties involves securing project resources that may be from teams outside of the Project Sponsor’s own direct area of responsibility. Frequently, we see clients under-resource these types of undertakings, during both implementation and steady state. During implementation, this leads to an overreliance on consultants from the software provider or from a third-party consulting firm, which can cause design decisions that are out of touch with the business’ needs and lead to problems with adoption. Insufficient resources from the business can also bring about costly delays in the project schedule and certainly delays in benefit realization. There is a correct balance of full-time business resources, part-time experts, IT and supplemental help from consultants and the solution provider that ensures the initiative remains **business-driven**, versus being “another software or IT project.”

Most leading retail solutions include some level of advanced analytical capabilities, yet we often see business teams comprised of tenured employees without the requisite

analytical and interpersonal capabilities necessary to take full advantage of the system’s capabilities. Moreover, after implementation, we often see undersized business teams being stretched too thin to perform effective analyses and / or make appropriate recommendations. The wrong skillsets in these roles can greatly inhibit the realization of benefits from the new system. Effective project sponsorship helps ensure appropriate steady state resources are in place and can drive business value.

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versus being simply another IT project

Time is also a critical and scarce resource. During the implementation, processes and departmental calendars should be revised and then overseen to encourage appropriate time and attention to the new business cadence.

Involvement of other business groups should be expected, even if the system will not be used directly by associates in those departments. Along with contributing to the project activities during implementation, many of these groups will need to change their processes, interactions, roles and responsibilities so that the company as a whole will

involve all impacted **Functional Organizations**

- merchandising
- omnichannel
- marketing
- supply chain
- store operations
- visual merchandising
- information technology
- allocation / replenishment
- international
- real estate
- finance
- legal

derive the most value from new tools. Unfortunately, despite the best of intentions, if project sponsorship is too low within the organization, true cross-functional support rarely occurs across the entire organization.

As an example, a retailer's recent zone pricing system implementation entailed small

but significant changes to the company's real estate group, not comprised of key stakeholders, but nonetheless impacted. When a new retail location was planned, the real estate organization used the common practice of linking "like stores" or "sister stores" to estimate its financial performance. These "sister stores" would have similar characteristics and would allow the effective planning of sales, product, associates and resources.

While seeming unrelated to the merchandising organization's zone pricing implementation, this process was fundamentally altered with the need for increased reporting, changes to existing templates, expansions to the lists of involved individuals, and overall more cross-functional input into what was considered a process exclusive to real estate. Without strong sponsorship, a review of the organizational calendar, and inclusion of the right resources, these functional changes could have been a major roadblock to adoption and the project's success.

Strategy and Policies

Senior executives are responsible for setting the corporate strategy in alignment with their defined brand positioning. However, retailers often lean towards being more reactive to the market, preventing them from having a clear, widely understood, forward-

looking, and actionable business strategy. To drive overall corporate strategy as well as marketing, merchandising and operational activities, strong brand positioning should define the overall value proposition, distinguish the company from competitors, appeal to customers' emotions, build on brand heritage, as well as be operationalized across all customer touch points.

To get the most value out of an advanced retail solution, business policies and thresholds must be set with care. These policies represent the embodiment, the carrying out, of the brand positioning. As such, **these decisions have strategic implications and must be made with full understanding and agreement of the business' leadership.**

However, because decisions around marketing, pricing, promotions, merchandising, operations and so on are often complex and detailed, they are frequently delegated to more junior members of the implementation team. To ensure that policies are furthering the overall business strategy, **it is crucial to get**

those leaders that defined the strategy involved in policy setting. Further, policies and settings need to be evaluated periodically to ensure that they are driving the desired outcomes.

Policies and Thresholds must be set *with care*

These **represent**
the **embodiment**
and the **carrying out**
of the **brand positioning**

Addressing E-Suite Challenges

As we have discussed, senior executives can either inhibit or promote the realization of sustainable, positive results from complex solution implementations, depending on their level of involvement and visible support. However, there are also key tactical considerations that must be fully understood and supported by senior leadership to ensure a successful project, including:

- Early executive involvement
- Robust change management
- Comprehensive and honest communications
- Appropriate resources
- Focus on process design, roles and responsibilities
- Leveraging value measurement

When embarking on a system implementation, executives must fully comprehend how these elements work together and to what extent leadership is involved in their execution. While resources on the implementation team will primarily carry out these activities, project leadership must be acutely aware of their progress, accountability, as well as any risks and issues that may impede the project. We will take a closer look at each of these essentials and provide advice on ensuring they collectively and effectively contribute to implementation success.

attain

Executive Level Involvement

as early as possible

While vendor implementation teams often convey the need for strong senior leadership support, they frequently

engage *after* the project infrastructure is established, which is too late into the initiative for meaningful business leadership impact and influence. **Securing executive level involvement from the beginning encourages buy-in from key stakeholders and significantly increases engagement and adoption.**

To achieve this, outside resources with experience in helping retailers through transformational change projects who can act as trusted advisors through a different lens than the software vendor may need to be involved. Also, sometimes there is suspicion of the software vendor, whereas a trusted advisor can often deliver difficult messages and gain access to levels of the organization that may be difficult for the project team to reach.

DON'T SKIMP

on change management, communication & training

As project plans and budgets are being created, it is critical to allot sufficient time and resources to change

management, communication, and training development and delivery activities. These are frequently overlooked or shortchanged – treated as being “nice to have” rather than absolutely crucial for success. Executives must understand, embrace and support the fact that implementing new software alone will not enable the fundamental changes necessary to achieve the benefits outlined in the business case.

Change management strategies and plans need to be timely and educational, serving to inform, train, and drive adoption throughout the entire project, as well as address some of the challenges we have cited directly. **Senior leadership needs to be in sync with change management activities, in order to most effectively drive tough decisions and align the organization on new ways of operating.**

For example, if the organization is too reliant on margin rates in culture, reporting and incentives, then a coordinated campaign must be developed to educate and persuade stakeholders about the importance of the tradeoff between margin rates and margin dollars. This would involve an informational campaign, guidance for senior leadership, revamped incentives and review structures, expanded reporting and detailed follow up.

One extremely valuable tool for creating alignment, promoting championship and neutralizing detractors is a comprehensive *Stakeholder Action Plan*. This analysis is typically performed immediately after the project kicks off to help capture detailed information about key stakeholder and influencer (i.e., well respected and / or vocal associates) attitudes toward the initiative. The Stakeholder Action Plan is typically documented by a third-party trusted advisor based on interviews with each of the identified stakeholders. Action plans can then be created for senior leadership and individuals who are identified

sample Stakeholder Action Plan

Title	Role	Current Position	Action Item
CEO	Advocate	Appreciates value of project, but a little aloof	Project sponsors meet with him weekly to keep him apprised and bring him on board.
Senior Vice President, MP&A and Supply Chain Management	Executive Sponsor	Primary driver of project, has the ear of management, needs to be kept in the loop on key challenges and issues.	None.
Senior Vice President, IT	Executive Sponsor	Strongly believes that a new hardware separation needs to stop.	“Very important constituent. Wary about the impact on his organization.”
Senior Vice President, Logistics	Executive Sponsor	Enthusiastic advocate for project, championed the prioritization of apparel, wants to make best practices be incorporated into the design, recognizes multiple integration points with other initiatives.	None.
Senior Vice President, Store Operations	Executive	Very important constituent about the impact on organization.	“Project Sponsors to meet with him twice monthly. Request representative from this organization on the project team.”
Senior Vice President, Finance	Executive	Not very involved. Sceptical about the financial benefit of the project.	Present and present business case in the next month.
VP, IT	Sponsor, Strong Influencer		
VP, Merchandising	Sponsor, Strong Influencer	Key constituent for project wants to make sure that best practices are part of the design, appropriately cautious about over-engineering the solution, particular concern for merchandise hierarchy.	

as potentially resistant to change or who may negatively impact adoption; additionally action plans should include project “ambassadors” who can be leveraged to garner support. These specific action plans will run in parallel with other targeted and project-wide change management activities and be used to inform and develop more effective training materials and messaging.

The most important objective of this exercise is to **develop the detailed action plans consolidate support while converting or mitigating resistance**. Carrying out these action plans then becomes part of the regular cadence of the project and can be reported on during status meetings.

In order to be most effective, however, the Stakeholder Action Plan must be completely candid. For that reason, only the highest level of project leadership should manage the document and maintain its confidentiality.

Lastly, training strategies, schedules and materials must be carefully designed and tailored to the new processes and organization. While “out-of-the-box” training materials provided by the software vendor are useful in instructing on generic system tasks, they are typically insufficient to ensure the organization fully grasps changes to roles and responsibilities and how to perform their jobs in the new environment. In a later section, we will discuss process design – this represents a crucial input to the development of training materials, as well as helps comprehend which associates the new system will impact and how significantly.

Communicate Early & often good & bad news

Effective communication can be an important catalyst to a successful project outcome.

This process begins in the

planning phases of a project, continues through implementation, and extends into the post implementation steady state. **To maintain credibility and importance in the ears of the audience, it is critical that project communications come from an executive level role** (ideally the Project Sponsor).

During project planning and start up, time requirements should be estimated by the project team and communicated by project leadership as early as possible. This provides guidance for the business leaders who will be responsible for supplying project resources. As the project progresses, these expectations for time commitment need to be continually updated, messaged and understood. This helps combat the drop-off in involvement that we often see in latter portions of design and implementation and helps

manage workload expectations for the project team and leadership around their non-project roles.

It is imperative to honestly and thoroughly communicate project progress, issues and risks. **Consistent use of the status report and status meetings are one of the most effective ways to mobilize senior leadership if resources are lacking or risks are not being effectively addressed.** Resist the temptation to always present a rosy view of project progress. Once issues are identified, detailed action plans must be documented with assignments and dates, and an owner must be held accountable for the resolution of each issue.

As the implementation begins, the broader company may be curious about the project's goals and progress. Some will likely be anxious about the impacts on their position or processes. Frequent executive communication about the project's purpose, developments and future state will help inform the organization at large and reduce the amount of institutional anxiety related to the pending change.

During go-live, it is equally important to continue to keep the company apprised of the project's progress, especially any early victories. Once implementation is complete, key stakeholders benefitting from the project should publicize the financial and organizational benefits being realized from adopting the new processes and working with the new tools. This promotes adherence to the system and new ways of thinking and working, as well as supporting the mindset that change can be positive. For the resources involved in the rollout, these communications underpin the notion that the hard work leading up to go live was indeed "worth it."

accept that using
full time project resources
is → **not optional**

Appropriately resourcing an implementation effort and a future state organization is not an easy task, in particular

because it is difficult to make a precise estimate of the time commitment required. All too often, companies underestimate these initiatives and endure added stresses and unnecessary workloads during the project. **When allocating team members, it is imperative to not only assign the appropriate resources to the core project team, but also to allocate sufficient time.** Depending on the scope of the initiative, this frequently requires one or more full-time business representatives, one full-time project manager and a full-time technical lead. We have found that when these resources are not full-time, then the consulting teams must take up the slack.

Using third-party resources may be effective for project management and has the added benefit of freeing up the business and technical leads to address other responsibilities, as well as injecting outside experience to promote new ways of thinking; however, the project is hampered in other ways. As close as outside consultants can become to the business model and corporate culture, **third parties are no substitutes for tenured associates**. In the worst cases, work assignments are missed and project decisions are delegated to the consulting team, which can lead to painful disconnects between the project and the ultimate end-users. Further, external resources are typically more expensive than company employees.

Frequently, implementation initiatives require the addition of new people with new skill sets to the company. Hiring new associates is a long-lead time activity, and yet we often find that clients are not proactive with recruiting and hiring efforts. This creates gaps in the capabilities of implementation teams and compounds the difficulty of onboarding new associates, as they must learn a new company and new processes at the same time – often from implementation team members. We advise hiring new team members early in the process and assigning them full-time to the project team during the transition. This allows the project to gain the benefit of their skill sets, and the new associates are up to speed on the new technology and processes from the start. We recognize an additional investment in human resources is often hard to swallow, since there is usually an anticipation of efficiencies from the new solution that may seem counter-intuitive to the need for additional staff; however, retailers must understand that new skill sets are typically needed to take full advantage of advanced retail solution capabilities.

understand that
**comprehensive
 process design**

*is crucial to
 solution* **value**

New software tools and the organizations that operate them nearly always dictate new processes. As we have

already discussed, these new processes can have far-reaching impacts, touching the activities of many functional groups within the company. Utilizing new software tools typically requires modifications to work patterns and daily activities. Impacted processes can also be quite broad, ranging from the earliest pre-season strategy and goal setting to post-season analysis.

Given this, thorough and thoughtful process design is crucial to a smooth transition during go-live, as well as future coordination. Do not shortchange process design and development activities. **Senior executives must support the project team in driving**

the company into new ways of operating – sometimes beyond their comfort level – to make sure the organization most effectively leverages the capabilities of the new software. To be fair, some new processes are dictated by the software functionality, but the process steps that proceed and follow the system tasks are equally impactful on delivering the utmost value from the tool. Process designs and the accompanying verbiage become the backbone of the training that precedes go-live.

Along with the process design, it is a good idea to explicitly define roles and responsibilities across the impacted organization. Most effectively done in the form of RACI charts that accompany process designs, this activity captures which roles carry out what tasks (**R**esponsible), which roles oversee those tasks (**A**ccountable), and which roles are **C**onsulted or **I**nformed about the tasks. This tool creates true clarity around roles and responsibilities and drives understanding and efficiencies, especially across organizational groups.

use **Value Measurement** *to*
celebrate success

Finally, it is imperative to celebrate successes – big and small. **Take advantage of every opportunity to**

alert stakeholders to the benefits being realized from the new solution. Alternately, value measurement approaches can be used to demonstrate the negative impacts of undesired behavior, such as the aforementioned over-emphasis on margin rates over margin dollars. It is always easier to change the minds of impacted stakeholders with clear empirical evidence rather than opinion.

Final Word

Ultimately, what does a successful retail solution implementation look like?

- Senior level sponsorship and championship established upfront, that provides appropriate resources and engenders collaboration across different functional groups
- Clearly defined strategy and supporting policies, based on strong brand positioning
- Informed, strategic and value-based decision making, driven by leadership
- Thorough, thoughtful process design with clear roles and responsibilities
- Open and honest communication to project stakeholders and the broader organization

Nirvana indeed. However, by making judicious use of the methods and tools we outlined, it is possible to achieve significantly better outcomes with your own strategic initiatives.

The Parker Avery Group

The Parker Avery Group is a boutique strategy and management consulting firm that is a trusted advisor to leading retail brands. We combine practical industry experience with proven consulting methodology to deliver measurable results. We specialize in merchandising, supply chain and the omnichannel business model, integrating customer insights and the digital retail experience with strategy and operational improvements. Parker Avery helps clients develop enhanced business strategies, design improved processes and execute global business models.

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