

An ERP Story:¹ Background (A)^{2, 3}

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Business Context

In 1950, when the general insurance company Aux Bons Soins (ABS) was in its early days, it offered a full range of general insurance products for individuals residing in the province of Quebec. Over the years, Canada has seen a consolidation of its general insurance industry. Three years ago, ABS acquired the insurance company General Maritime Protection, serving Eastern Canada. Last year, ABS seized an opportunity to conquer Western Canada's market by acquiring Western General Insurance in Calgary. These acquisitions positioned ABS as a major pan-Canadian insurer. To date, these three companies have continued to function autonomously.

Six months ago, management at ABS announced that it was bringing these three original companies under a single legal entity to form ABS Canada. Jean Roberge was appointed Vice-President of Information Technologies Management and was mandated to develop a strategic IT plan. During the annual strategic planning meeting of the management committee, held recently in Calgary, all of the committee members were pleased to see that the company and its two subsidiaries were in a good position to plan an aggressive strategy for sales growth. This is the context in which Jean Roberge recently presented a three-year strategic plan for the development of information systems and technologies.

The plan, developed by a team of internal collaborators from the three original companies with the support of consultants, was officially presented and approved at the annual management meeting held in Calgary in March 2009. The main recommendation of the plan is to provide ABS Canada with an integrated management system and processes that could be shared by the three constituent entities for financial management, human resource management as well as sales and marketing

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management. In particular, the team of experts that worked on the IT plan recommend the acquisition of the ABC software package – specifically, the modules for finance and accounting, human resources and sales.

Current Systems and Processes

Since the reorganization of the three original companies under the new company ABS Canada, each company has continued to operate with its own information processes and systems. Gradually, the controllers and vice-presidents of finance of each entity began to consider how they could consolidate the accounting aspects and financial statements of ABS Canada. Similarly, the vice-presidents of human resources met several times to begin harmonizing human resource management policies and practices. Currently, a great deal of manual work is required to extract information from the systems of the various companies and to prepare consolidated management reports that provide an accurate picture of the financial and human resources of the new ABS entity. As for sales and marketing, efforts to consolidate data have proved very difficult due to the diversity and quantity of information available in the respective systems of the three original companies.

The development of a strategic IT plan led to an analysis of the current situation and a discussion of the desired situation for the new ABS Canada entity. In terms of information systems, the following observations were made:

Element	Current problem	Desired situation
Applications	<ul style="list-style-type: none"> • Incompatible in terms of functionality and architecture: no possibility of data exchange between systems; • Redundant applications and non-optimal maintenance of various systems based on different technologies. 	<ul style="list-style-type: none"> • Identical functionalities for all ABS components and integrated applications that enable data exchange; • Simplification of system maintenance and architecture in order to group original IT functions into a single IT function and achieve better management of costs, expertise and use of IT potential.
Data	The definition of data differs according to the original company (for example, the customer identification data retained is not the same in all of the systems).	Consistent and accessible in real time.
Interfaces	Differ according to the application and the original company.	Similar for all applications, facilitating employee mobility.

In terms of business processes, the following observations were made:

Element	Current problem	Desired situation
Accounting and financial processes	Processes are specific to the operations of the three original companies.	Harmonization of accounting and financial processes: <ul style="list-style-type: none"> • standardized end-of-period processing; • accelerated processing cycles by eliminating duplication and manual verification; • consolidation of the three companies into one in accordance with provincial and Canadian regulatory requirements; • reports for tactical and strategic financial management rather than purely operational.
Human resource management processes	Processes are specific to the operations of the three original companies. Moreover, the two acquired companies' processes are inefficient due to their obsolescence and strictly operational style. The strategic vision of HR management as a company asset is not part of the current processes, which make little use of IT potential.	Harmonization of HR management processes: <ul style="list-style-type: none"> • redefining the human resources management approach of the new ABS entity; • adding activities such as skill management, skill development and mobility; • improving process efficiency.
Sales and marketing management processes	Processes are specific to the operations of the three original companies and correspond to a local vision of the market.	Harmonization of HR management processes involving: <ul style="list-style-type: none"> • creating an integrated marketing vision for the new ABS entity; • improving process efficiency by increased use of Web potential.

The Decision to Launch the IMSP Project

In the conclusion to his presentation of the IT strategic plan to the management committee, Jean Roberge stressed the unique potential of an integrated management system for the development of ABS Canada. He pointed out that managers at all levels as well as senior management could track in real time the financial and marketing progress of the growth plan for the entire company, from both a cost and profit perspective. Moreover, this system enables proactive decision-making that takes into account the company's global financial picture as well as its human resource potential, which are key to the success of any service-oriented company.

Therefore, decision-makers can and must concentrate on the more lucrative activities or those that are the most important strategically in terms of short- and medium-term growth. Lastly, a shared management system for marketing initiatives and financial and human resources will enable the implementation of a more efficient mode of operation by promoting better use of expertise throughout the company. The forecasted financial benefits of the project are reduced operating costs in the order of 10%, which could be achieved at the end of the second year following implementation of the new system. The total cost of the project is evaluated at \$50 million spread out over the duration of the project, estimated at 24 months. A vanilla implementation strategy is planned, which means minimum changes to the software package (if possible, no changes at all) and standardization of the processes of the new ABS entity, based on the processes inspired by best practices and proposed by ABC. Moreover, the system would be delivered in three phases: 12 months for the finance, accounting and auditing module; 18 months for the human resource module; and 24 months for the sales and distribution module.

On the basis of these advantages and this vision of IT aligned with business objectives, the management committee that met in Calgary unanimously approved the recommendation to launch the Integrated Management System and Processes (IMSP) project.

Back in Montréal, Jean Roberge is very pleased with the support of the management committee. From his perspective, the potential of an integrated software package will pave the way for the true integration of the information systems and technologies at ABS Canada. This will make it easier for him to re-engineer the main management systems (finance/accounting, human resources, marketing) of the three companies, while preserving specific applications that give the company a clear competitive edge. In fact, interfaces can be developed between ABC's modules and the company's legacy systems that the company wishes to preserve. Moreover, this technological renewal includes a systematic review of various disparate, and sometimes obsolete, processes, in favour of better business practices. This exercise should lead to real progress in the company's practices, both in terms of its business practices and skills. This will help ABS to maximize its IT potential so that it can do business throughout Canada and North America.

With the adoption of a new integrated software package, Jean Roberge is aware that the IT function he is managing is profoundly changing his role, from the development of applications to the flexible and rapid delivery of technological software solutions. The IT professionals at ABS are concerned about the change in direction of the IT department. Jean Roberge believes that these changes in the nature of the IT function will present several new challenges. Already hard at work in his new functions, he knows that he cannot manage the ERP project single-handedly despite its importance for the company. He must quickly find a project leader who has the skills and experience to lead such an important project.

The Search for a Project Manager

Jean Roberge understands the enormous importance of ABS Canada's first major IT project. Its success is crucial in order to establish his credibility as a manager and in his new IT function. Selecting a project leader is therefore extremely important. For Mr. Roberge, the ideal candidate for this position should master the ABC software package and have excellent knowledge of the

systems being replaced and their functionalities. This candidate should also be able to exercise his or her authority over the project team and have enough experience managing large-scale projects to stay within the budgets and schedules set out by management.

Aware that the company does not have all the skills needed to take up the challenges that lie ahead, Mr. Roberge has asked François Caron, from the firm GTI, a preferred supplier of ABS for 10 years, to meet with him. Mr. Caron is a seasoned consultant who has been the technical expert, analyst and project leader on several development and implementation projects of financial and insurance systems over the last 20 years. He is currently the vice-president of business development at GTI and has been in charge of the ABS Canada account for six years. He regularly meets with the IT manager of ABS to discuss the company's changing needs as well as IT trends in the insurance industry. He asks Luc Martin, an expert in the delivery of ABC solutions, to join him for the meeting with Jean Roberge.

The following afternoon, Jean Roberge presents the new IT direction of ABS Canada to François Caron and Luc Martin. He discusses in more detail the urgent need to find a suitable project leader for this major IMSP project. Jean Roberge believes that the IT function should assume ownership of the project, since the proper technical functioning of this complex software package will ensure its success. Moreover, he expects that the software package will be implemented within the set timeframe and budget. With regard to employee adaptation to the new system, he is confident that an effective and well-targeted training plan will allow employees to quickly understand the system and resume their productivity.

This is not the first time the company is introducing a new information system. Employees expect to have to change the way they do their work since the three companies are being merged into one. However, the main change will be a new software package that users will have to learn.

In terms of project management, Jean Roberge stresses the fact that management expects compliance with the set budget and schedule. He hopes that the project leader will prioritize the quality of the product and effective management of its development. Since the project team should, in his opinion, be comprised primarily of IT specialists, a homogeneous team like this will require a project leader with extensive technical knowledge. Moreover, if the project is to stay on schedule, Jean Roberge considers it crucial that the project leader exercise firm authority in order to quickly resolve any conflict between the parties involved in the project. Lastly, Mr. Roberge plans to lend strong support to this project as he has always done for other IT projects, well aware that proper follow-up and a lot of technical support will be needed to ensure the project's success.

He asks François Caron to recommend three qualified candidates for the management of the IMSP project.

The next day, François Caron and Luc Martin meet to discuss their meeting with Jean Roberge. They discuss his expectations and examine the following points:

Questions:

1. What are the project's main characteristics and challenges identified by Jean Roberge?

2. In your opinion, does the project have other characteristics or challenges that Jean Roberge did not identify that should also be taken into account?

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