An interview with...

Rod Stoyel
Chief Executive Officer, Hagemeyer UK

Rod Stoyel, CEO of giant electrical wholesaler Hagemeyer UK, is an experienced chief executive with an extensive track record in international distribution services companies. In this interview he shares some insights from his previous roles on delivering the benefits of IT programmes and explains the advantages interim management can offer.

"Interim executives make a high impact from day one and don't hang around when the job's completed."

What has been your experience of using interim executives?

In recent years, the concept of project-driven interim management has gained much wider understanding and acceptance. I've appointed several experienced interims into key positions during my career. In fact, I've brought one warehouse specialist into three companies because I know he can deliver rapid results. Interim executives are a highly pragmatic and flexible skilled resource that can be scaled up or down as the business requires. They provide excellent value as they make a high impact from day one and don't hang around when the job's completed.

What advantages do interim executives offer in IT delivery situations?

It's all about simplification – cutting through the detail. When a company is implementing an IT programme and hits difficulties it needs someone who can crack the problem open and act quickly and decisively. This takes courage and leadership. Interims have the great advantage that they bring no baggage. They focus purely on achieving the expected business benefits and that is how they are judged – unlike consultants who tend to be measured on programme deliverables.

What challenges have you experienced with IT programmes?

All IT programmes present challenges. One of my previous roles was CEO of a publicly quoted educational products supplier. I was brought in to turn around declining sales and profitability after the merger of two smaller PLCs and the unsuccessful introduction of new company-wide ERP systems. The company was having difficulties processing orders, and reconciling invoices and packing notes. This was leading to all sorts of inefficiencies – incorrect stock; late and fragmented deliveries; payment delays – resulting in poor customer service and falling orders. I discovered the underlying reason was a failure to plan and execute the cleansing process properly prior to going live. Despite inconclusive tests, the decision had been taken to proceed rather than delay the implementation and risk disappointing shareholders.

How did you address these problems?

I brought in an interim IT Director, an experienced problem-solver with a strong track record in IS and logistics. We negotiated the consultants' departure and within six months we reconfigured the whole system. But of course the problems didn't just lie with the systems. By talking to the sales team and the customers it became clear to me that behind the ERP problems there were fundamental strategic and organisational issues. For operational reasons, the company had decided to clump together its various brands, even though the range of products was very diverse – from laboratory equipment to handicraft materials – and required different selling skills. Not having experienced people in place who knew their customers had increased data inaccuracy and reduced sales effectiveness.

Were the expected benefits achieved?

Yes, by reconfiguring the system, restoring a brand-based structure and introducing bar coding into the warehouse, we improved both sales competitiveness and the quality of information available to management and their ability to use it. Fulfilment rates recovered, delivery costs were reduced, stock management and working capital improved, and good customer and supplier relationships were re-established. This is something that would never have been achieved with the previous over-centralised system.

How does EIM add value?

EIM does a great job of understanding what its clients really need and providing them with the right interim executive. They take time to define the business issues properly and scope out the assignment in detail. And they have long-term relationships with their interims, who are carefully selected and matched to make sure they get results fast.

Kevin Carlton
Michael Clark
Denis Mahony
Janet Rubin
Peter Tann

EIM

Tel: +44 (0) 20 7290 1430
Fax: +44 (0) 20 7355 3437
E-mail: info.uk@eim.com
Web site: www.eim.com
39 St James's Street, London SW1A 1JD

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The Editor

The answer to most IT implementation problems lies in the boardroom

Large-scale IT programmes are notoriously prone to failure. At the simplest level, failure is defined as significant cost or time overrun or non-achievement of specified functionality and quality. At a deeper level, it means not delivering business benefits and stakeholder satisfaction. A survey by The Conference Board revealed that 40 % of ERP projects do not achieve their business case within one year of going live. The lost opportunity costs are immeasurable.

Examples are not hard to find, particularly high-profile public sector failures, such as the Child Support Agency's new IT system, branded an "appalling waste of public money" by MPs. What is harder to find is an objective assessment of the causes. Project insiders and outsiders naturally perceive events differently and mistakes are often covered up or rationalised. Research and experience show, however, that the reasons for success or failure lie more often with management than technology. The Standish Group's Chaos Report cites the following management-related factors as vital for the success of IT programmes:

User involvement
For programmes to succeed, the conflicting needs of multiple stakeholder groups have to be balanced within a complex political process. Under pressure to get the system in, the IT function often does not spend enough time early on engaging the stakeholders. And people quickly dig themselves into positions that become hard to shift.

Executive leadership
Active leadership from the top is essential to manage change. Yet, despite the high stakes, senior executives often leave the job to the software providers and installation partners. Not surprising perhaps, when so many reputations have been destroyed by IT failures. In contrast, the success of IBM's SAP installation has been widely attributed to CEO Lou Gerstner's personal sponsorship.

Clear statement of requirements and realistic expectations
Management and suppliers talk different languages and have different expectations. Business outcomes highlighted early in the sales cycle (such as faster reporting or reduced stock) are typically lost by the contract stage, because suppliers contract for system deliverables (deadlines met, software installed). It is essential therefore to hammer out the details up front of what can realistically be achieved.

Interim executives have a distinct advantage in addressing the challenges of delivering IT benefits. They are results-hardened professionals, who are able to work across all functions and levels of the organisation to resolve complex problems, bring about consensus and accelerate change. As our case studies show, they can support the IT Director in any or all phases of a programme in many different roles, from Programme Director to project troubleshooter. In the early stages, they can link the vision with the detailed proposal and manage the negotiation between IT and end users; during implementation they can resolve glitches and re-establish the rules; or in the last resort they can be brought in to rescue a project. Whatever situation they find themselves in, they will bring clarity, act decisively and take hard decisions – even it means renegotiating a contract or finding a different solution.

In this issue

- IT implementation case studies from two of EIM's board-level interim executives
- Interview with Rod Stoyel, CEO, Hagemeyer UK

This newsletter is produced by EIM UK, part of our worldwide practice.

IT implementation case studies from two of EIM's board-level interim executives

Stephen Farrow: Interim Project Troubleshooter case study

Stephen Farrow has over 20 years international experience of delivering measurable business benefits through turnaround, restructuring and change management in IT, retail, business-to-business and financial services companies, ranging from £5m to £1,200m turnover. His skills encompass general management, finance, business strategy and marketing. In this case study, we look at how Stephen addressed the challenges of delivering a complex, strategically critical IT project following a private equity buy-out.

The issues

The company – a luxury goods retailer – was impatient to restructure its global operations after an equity carve-out. Frustrated by a lack of reliable management information, the newly appointed Board was relying on extrapolated figures to make key strategic decisions, while the different departments struggled to continue managing the business with incomplete and inconsistent data.

Under extreme pressure to transfer all the systems from the previous owner and get them up and running quickly, the IT function was racing away with a skeleton specification without understanding what the business really needed. Conversely, in the absence of proper consultation, the end users were unclear about what the planned new system could (or could not) do.

The approach

Within 2 months of the deal being completed, Stephen was brought in to take over from the consultants and oversee commercial reporting. His first priority was to provide reliable weekly sales figures, store by store and category by category down to best- and worst-selling product lines, by reworking and reconciling all the data using databases and spreadsheets. He also introduced a weekly commentary from the store managers explaining the impact of local factors, such as weather.

Stephen then grasped the nettle of the system specification. Acting as intermediary and sponsor he brought together the various stakeholders – in Supply Chain, Merchandising, Stock Control, Financial Reporting, Forecasting and HR – and managed the detailed negotiation between what the users wanted and what it was feasible to deliver. A critical element in the success of the project was training people and convincing them of the benefits.

The results

Within just nine months, Stephen managed a two-stage migration from the legacy system to an intermediary industry-standard SAP system and then the final SAP IS Retail platform, enhanced with additional features that met the stakeholders' diverse requirements. This entailed setting up a European Shared Service Centre, and introducing an EPOS system throughout Europe to link SAP with data warehousing. It was a huge task requiring Stephen to work closely with several specialist interims as well as a team of SAP consultants.

The new system provided consistent, accurate information across the whole organisation. The clearer business understanding gave the Board confidence to carry through its strategy, closing over 200 poorly-performing stores, relocating the manufacturing plant and reducing time to market – vital in a seasonal fashion business. Stephen continued to act as interim troubleshooter for a further 15 months highlighting and fixing problem areas, including HR reporting, stock control, purchasing, supply chain and payment systems, and mentoring the new Finance Director, before handing over to his permanent replacement.

> *"My role was to facilitate and accelerate the change process. I held a pivotal position as intermediary between the Board and the management functions. This meant I could talk to people everywhere in their own language, reconcile differences and escalate issues if needed to get quick action."*
>
> *Stephen Farrow, Interim Director*

Alf Oldman: Interim Programme Director case study

Alf Oldman has extensive experience of delivering time-critical, high-risk programmes – spanning international agencies, government, financial services, distribution and manufacturing companies. Alf combines stakeholder management expertise with IT, finance and organisation development skills. In this case study, we look at how Alf restored stability to a high-profile international agency ($1 billion income, 140 nationalities and six official languages), following the painful introduction of an ERP system.

The issues

External auditors were seriously concerned about the timeliness and integrity of the agency's financial data after a difficult and protracted ERP installation (Finance, Budgeting, Cost management, Procurement and Travel modules). Several changes of management between concept and going live meant responsibility for delivery had changed many times. The stakeholders – many of whom were openly hostile – could not agree about the way forward. There was considerable inter-divisional rivalry and little focus on the business benefits.

The directors were keen to break five years of dependency on external consultants, particularly as these were proposing additional work that would worsen the already large project overspend. They recognised however the severe shortage of specialist skills internally. Most importantly, no-one had ever before managed a major change programme across the organisation – a complex, multi-cultural, hierarchical environment serving conflicting political interests.

The approach

Called in by the agency's Deputy Director General, Alf undertook a rapid analysis and proposed a programme of interrelated technical and process improvement projects. Recognising the huge scale of change required, he brought in interim executives to fill several key posts, which expedited the consultants' departure. To overcome initial inertia and defensiveness Alf deployed a powerful change methodology called Action Research, using non-confrontational facilitation as well as formal research tools – including surveys, structured interviews and focus groups – to enable the stakeholders to clarify their diverse requirements, reconcile differences, and jointly develop and own the solution. The resulting Financial Performance Improvement Programme took eighteen months to complete and included:

- Improving financial reporting and controls;
- Developing a roadmap to transform the Comptroller's Division to World Class performance levels;
- Helping to reorganise the Comptroller's division, replacing the Comptroller and the Chief Accountant, and providing mentoring to the new Comptroller;
- Developing business intelligence capability; and
- Advising on implementation of a new HR system.

The results

All the critical milestones and outcomes were achieved with limited resources. Reporting times were reduced by 60% due to a reduction in transaction backlogs; elimination of suspense accounts and data errors; simplification of headquarters configuration and advice on global rollout to field offices; and improved communication between headquarters, divisions and field offices. The external auditors publicly endorsed the far-reaching improvements and all the stakeholders were delighted with the results.

Divisional conflicts were replaced by a positive 'can do' culture, with people at all levels working comfortably together and tackling new challenges confidently, without the help of consultants. By leaving a legacy of continuous improvement and good project practice, Alf ensured the results were sustained.

> *"Executive interim managers rapidly bridge the gap between the experience, values and skills of the management team and the problem in hand. They have exceptional leadership skills, 'commando-type' capabilities and can hit the deck running and go on to achieve their objectives."*
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> *Alf Oldman, Interim Director*