



BEYOND THE TECH

Strategic Foundations – the Critical Link for Successful ERP Transformations

More than 70 percent of ERP transformations fail to deliver their intended value. Not because the software is flawed, but because companies skip the most critical step: strategy. Aligning ERP with your business strategy is the difference between transformation and turbulence.

ERP Isn't an IT Project. It's a Business Strategy Decision

So, you think you need a new ERP. But ask yourself: Why?

Is your current system holding you back? Are operational silos slowing you down? Or are you scrambling to meet vendor mandates like SAP's S/4HANA migration? Whatever the reason, one truth remains: ERP success doesn't start with technology it starts with strategy.

Too often, organizations obsess over software selection, deployment logistics, and training, while neglecting the most important question: How does this ERP fit into our business strategy?

The difference between success and failure lies in this alignment. Companies that understand this didn't just implement the ERP, they redefined their business models to ensure their systems were strategic enablers and ensured that executive leadership was unified around what the strategy required. That's how they turned ERP into a value creator, not a value eroder.



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Define the Need: What's Driving Your ERP Implementation?

Why now? Answering this question is the foundation of ERP success. The most impactful transformations tie ERP directly to strategic imperatives, such as:

- **Growth, Expansion, and Scalability:** Supporting global operations, new product lines, or increasing complexity
- **M&A Activity:** Streamlining integrations, carve-outs, or spin-offs
- **Operational Efficiency:** Automating manual tasks and enabling real-time decisions
- **Regulatory Compliance:** Ensuring audit-ready data and controls
- **Digital Transformation:** Building a foundation for AI, automation, and advanced analytics

Without a clear “why,” ERP risks becoming a Band-Aid for deeper organizational issues. But with purpose, it becomes a tool for long-term strategic execution.

ERP becomes a value creator when linked to strategic imperatives and executive leadership is aligned.



Strategic Pre-Planning: The Secret to ERP Success

ERP success is won or lost before you even choose a vendor. Here's how to lay the groundwork:



1. Link ERP to Strategic Business Goals

ERP isn't the goal, it's the enabler. Start by aligning your ERP initiative with your organization's broader strategy. How will it power your goals? Whether it's faster decision-making or global standardization, every ERP decision must map to a strategic objective.



2. Define the Business Case and Value Proposition

What's the "so what" of your ERP investment? Spell out the business outcomes you expect, like improved supply chain agility or faster month-end close. Define KPIs early and set measurable benchmarks. And be honest about what ERP won't fix (e.g., poor leadership or broken accountability).



3. Design the Future Operating Model

Start with the end in mind. What will your business look like in three to five years? Define how your structure, processes, and policies need to evolve. Clarify how roles, decision rights, and team interactions will shift. Companies like Caterpillar² have used ERP to optimize global supply chains, while Microsoft aligned ERP with centralized funding and outcome-based KPIs.³ The lesson? ERP is a catalyst for broader transformation.



4. Prioritize Process Redesign

Don't automate inefficiency. Identify pain points like manual hand-offs, duplicate data entry, compliance gaps, and rank them by impact. Focus on high-value standardization opportunities first and save the "nice-to-haves" for later.



5. Align the Organizational Structure

ERP isn't just about systems, it's about people. Redesign roles, teams, and reporting structures to support your future operating model. Don't just automate outdated org charts, reinvent them. Engage change management advisors early to drive alignment and embed new ways of working.



6. Embrace Business-Led Transformation

ERP success demands business ownership. Ideally, there is joint ownership between the CFO, CIO, and COO to ensure alignment across financial, operational, and technological priorities. Tie leadership incentives to ERP outcomes to drive commitment, and position ERP as a growth platform, not just a tech upgrade.



7. Equip Leaders to Deliver the Transformation

ERP redefines how the business runs – roles shift, reporting lines change, functional silos break down, decision-making becomes faster and more data-driven. Mindset and behaviors need to adjust. Equip leaders early to navigate the demands of the new model so they are drivers of momentum, not barriers to adoption.

Envisioning the operating model is critical to designing the ERP for the future versus building based on your current situation. Doing so positions ERP as an enabler, not just a tech change.



Measure KPIs against goals, redefine processes aligned to the future operating model, tailor tactics to drive change, and establish checkpoints along the way for accountability.

Realizing ERP Value: Managing the Journey

Define what success looks like early and measure it often. Here's how:

- **Link Operational KPIs to Strategic Goals:** Establish baseline metrics (e.g., days in inventory, AP cycle time), and track progress against them.
- **Redefine Processes:** Uncover inefficiencies and implement plans to optimize new or improved workflows.
- **Assess Change Readiness:** Gauge your organization's preparedness, and tailor tactics to ready the organization, drive adoption and reduce resistance.
- **Establish Critical Checkpoints:** Validate that ERP ownership and accountability is clear, leaders are equipped, the future operating model is defined, stakeholder commitment is secured, and the strategic KPIs are in place.

Conclusion: The Path to ERP Excellence

ERP isn't just a system – it's a strategy. The difference between success and failure lies in how well you align your ERP initiative with your business goals, design a future-ready operating model, and embrace business-led transformation. ERP should be the enabler of transformation not the goal. Treat it as such, and the value will follow.

How Alvarez & Marsal Can Help

As advisors, we focus on making sure your ERP program remains a business-led transformation, grounded in strategic clarity and operational alignment.

We focus on the foundational drivers of ERP success:



Strategic Alignment

We help clients answer the “why”, define their ERP strategy, and build the business case for ERP by connecting technology needs directly to the business strategy and strategic imperatives.



Future Operating Model Design

We define and implement future-state processes, roles, governance, and performance management frameworks.



Organizational Alignment and Process Readiness

We assess and optimize organizational structures and functional processes to ensure they are forward-looking and ERP-ready.



Strategic Program Oversight

We advise and support clients with independent program leadership, risk identification, quality management (QMO), and performance tracking to keep ERP efforts on target and on value.

With deep operational experience and a history of guiding complex transformations, A&M helps position your ERP investment to accelerate business outcomes — whether they be growth, integration, efficiency, or scalability.

Let's talk about how to make your ERP more than a system change. Let's make it a competitive advantage.



About A&M

Alvarez & Marsal is a global professional services firm delivering leadership, action, and results. With deep expertise in performance improvement, transformation, and technology enablement, A&M partners with boards, CxOs, and investors to unlock value and drive growth. Our business-led approach to ERP sets us apart from traditional consultancies.

Sources

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