Change Management In Mongolian Alt (MAK) Llc.

Introduction

After working 14 years in the case company, the author felt that he needed to do something substantial for the company. This Change Management course and this individual assignment work helped the author to understand the main problems and challenges of the company, including strategy, structure, system, culture and leadership. In this paper the author tried to focus on the ERP implementation issues the company faced and prepared change management plan for ERP implementation applying the knowledge, tools and skills learned during the course.

The current situation and difficulties of the company were analyzed and assessed using the McKinsey 7S model based on the 7 key elements: structure, strategy, systems, skills, style/culture, staff and shared values.

The change management/ERP implementation plan was developed using Kotter's Eight-Step Plan.

Mongolian Alt (MAK) LLC

MAK is the largest privately-owned coal exporter and second-largest coal exporter in Mongolia. MAK's business primarily consists of coal mining and the production of construction materials in Mongolia. MAK was established in 1993 and has a long track record of successful operations in Mongolia. MAK's initial business operations commenced at the Ikh Galt gold mine in Mongolia in 1993, and it grew to become the fourth-largest gold producer in Mongolia in the late 1990s. In the 2000s, MAK decided to diversify its operations and enter the coal mining industry. More recently, MAK has further diversified its business by entering into the construction materials and cement industries. (www.mak.mn, n.d.)

In 2007, MAK commenced operations at Naryn Sukhait (NS) coal Mine. The NS Mine is strategically located approximately 50.0 kilometers from the Mongolia-China border and has direct access to the Ceke border crossing into China via a heavy-duty asphalt road . Its significant coal reserves of approximately 479.9 million tons comprises 446.2 million tons of proved reserves and 33.7 million tons of probable reserves.

To diversify its revenue streams and satisfy the projected need for domestically produced construction materials, MAK has launched production facilities for concrete blocks and cement. In May 2015, MAK started producing concrete blocks, which are primarily sold to Mongolian customers for the construction of infrastructure and housing, at its facility located 40.0 kilometers southeast of Ulaanbaatar. In June 2017, MAK expanded its construction materials segment to include cement production at its facility located approximately 292.0 kilometers southeast of Ulaanbaatar, in relatively close proximity to various significant mining and construction projects in Mongolia. With a production capacity of 3,000 tons of cement daily, MAK produces various types of dry cement, including Portland cement and sulfate and water-resistant cements for specialty applications. MAK expects its construction materials segment to

expand rapidly as it increases market share and Mongolian demand for quality construction materials increases.

MAK is developing the Tsagaan Suvarga deposit, which is expected to be the third-largest copper deposit, as measured by reserves, in Mongolia near the border with China. The Tsagaan Suvarga Project is 46.0% complete today. The copper deposit is located in Mandakh soum of Dornogovi aimag in southeastern Mongolia. This large-scale project includes the construction of a processing plant to produce copper concentrate and molybdenum concentrate and remains in its early construction stages. The author has been involved in this project from the beginning and still is managing it directly.

Today MAK has a total of 2126 full-time employees.

For 2016, 2017 and 2018, MAK's revenue was US$80 million, US$150 million and US$180 million, respectively.

Figure 1. Locations of the MAK operations.

Analysis of the situation

Enterprise Resource Planning (ERP) is a widely used system across all organizations regardless of its size. MAK decided to implement ERP system in 2016. Due to its cost-effectiveness and flexibility (Amal Ganesh, 2016) MAK chose OdooERP, which is an open source ERP system and signed the contract with Asterisk technologies LLC (Asterisk Technologies, n.d.) to implement this project. The statistics say that 70% of ERP implementation projects were unsuccessful (Al-Mashari, 2000). MAK couldn't avoid such failures. However, the project was scheduled to complete within 7 months, the OdooERP system did not reach full intended performance till today. After more than 3 years of implementation some users, including the author, still refuse to use all the features and find workarounds. The low productivity is combined with the rapid growth of the company, increasing inefficiency. Management of the company have recently made a decision to cancel the contact with Asterisk and implement new ERP system. The financial growth of the company can support the change and the IT infrastructure has the capacity for this change.

In order to diagnose and understand the reasons of the failure and assess the company's readiness for the ERP implementation, the author interviewed the project team leader. In the beginning of the interview the team leader stated that the OdooERP system is only for SMEs and cannot provide the full capability that MAK needs as it has grown over past several years and it is no more medium enterprise.

The author and the team leader together made an assessment using the McKinsey's 7-s Model, which is a valuable tool to initiate change processes and to give direction.

McKinsey 7-S Model assessment (Passenheim, 2010)

Strategy

- No clearly defined and documented vision, mission and goals to guide the ERP

implementation, which is very important and should be well-understood across the company.
- There is no clear relation between the ERP system and the strategic goals of the company.
- ERP implementation plan has been prepared without involvement and inputs by top and functional managers.
- The ERP project scope is defined but without involvement of functional managers.
- Milestones are established but not realistic and achievable.

Structure

- MAK’s organization structure can be defined as traditional and centralized.
- MAK is a well-established big company with sufficient human and financial resources.
- All the rules and procedures are well defined and clearly documented and made known to all employees
- There is an IT department, but no CIO position exists.

Systems

- Company’s IT hardware and networking infrastructure and software applications are adequate.
- Business processes are clearly defined and documented.
- Company’s data quality is high and accurate and kept in a single database.

Style

- ERP need is not recognized by all functional and top managers and they are not enthusiastic.
- Information flow is not free and open.
- There is no change management strategies and communication plan.
- Although there many trainings organized the company can not be defined as a learning organization.
- The decision-making process is top down and not participative.
- The culture cannot be defined as collaborative and power sharing.

Staff

- There is a proper mechanism to recruit, select and preserve qualified and educated employees and maintain employees’ morale and motivation among them.
- There is a sufficient ERP training facilities and materials.
- Employees and managers haven’t been trained in ERP system skills to sufficient degree.
- The ERP project team’s performance are not compensated separately.
- The project team members are all IT specialists. There is no involvement of people with both business and technical knowledge.

Skills

- Management of the company has an appropriate communication, controlling, leadership, planning skills. Change management, IT and interpersonal skills are required improvements.
- Users' communication, planning, controlling and interpersonal skills are required improvements
- IT specialists have good technical skills, but nobody has an ERP implementation experience in large organizations.

Shared Values

- There is not sufficient belief in the benefits of the ERP system and commitment among management team and employees.
- Project champion with strong leadership skills and business, technical, personal and managerial competencies doesn't exist.
- All functional segments' involvement and participation in the implementation of the ERP project was not sufficient.
- Most of the personnel are not convinced and recognized the need for change.
- Different members of the organization have different perceptions on the shared beliefs about the ERP system.

After the assessment and the interview, both the team leader and the author came to the conclusion that the reasons of the previous failure are not only technical but implementation or change management issues such as following:

- A great enough sense of urgency was not established.
- A powerful enough guiding coalition was not created.
- There was no clear vision identified.
- There was very little thought about the resistance issues not obtaining buy-in from all stakeholders etc.

The implementation of the new ERP system may fail as well if it will not be managed properly. To increase the chance of success it is imperative to apply change management to the implementation of the new ERP.

Implementation/change management plan

As the MAK is a one of the biggest companies in Mongolia and the business is stable, the change shouldn't be transformational. Given the development change is less demanding and incremental, transitional change would fit for MAK's new ERP implementation project (Dean Anderson, 2001).

Based on the results of the 7-S model assessment and addressing the reasons of the failure, the implementation/change management plan was developed using a typical ERP implementation process model (Kale, 2000) and Kotter's Eight-Step model (J.P.Kotter, 1996) combined into one project action plan and shown in the Table 1. Kotter's Eight-Step model (Kotter, n.d.) was chosen because it covers most of the aspects associated with the failure.

Table 1. Change management plan

A typical ERP implementation process model

Kotter’s 8 Step model

Start date

End date

Responsible

Pre-implementation

Strategic decision

1. Increase urgency

Nov 1, 2019

Nov 15, 2019

The change agent

Feedback regarding the current/previous OdooERP system will be received from the development team, managers and users. The change agent will make contact with the new ERP supply company and provide employees with presentations about the new product explaining why the new product will help the organization and employees grow.

2. Build a guiding team

Nov 15, 2019

Dec 1, 2019

The change agent

Some top managers will be in guiding team who play an active role in the change effort. Some members of the previous development team will need to be part of the guiding team. Some users, who are not satisfied with the OdooERP and familiar with needs and who can convince other users will also be selected to be part of the guiding team. At least one user from each department will be in a guiding team. Effective and efficient teamwork will be done to create the trust, credibility and leadership. Well managed meetings will be organized by the change agent in order to coordinate.

3. Get the vision right

Dec 1, 2019

Dec 15, 2019

The guiding team

Implementation

Planning

Through the meetings of the guiding team members and the input of the top management of the company, the team will create a vision (imaginable, desirable, feasible, focused, flexible and communicable) (Kotter, n.d.). The vision will help to understand users how the company will benefit from the new ERP system.

4. Communicate for buy-in

Dec 15, 2019

April 1, 2020

The change agent and guiding team

As is analysis

To be analysis

The open discussion about the vision for the new ERP will organized by the guiding team the company. The change agent will also personally meet other managers to discuss the vision for the new ERP and give them an image of the end results. Channels of communication for feedback on the vision should be established. The guiding team will ask the users about the current ERP and what they would like to see in the new ERP. The guiding team will the users know that they will continue to give them updates and welcome their feedback during the progress (managementsite, n.d.).

5. Empower action

Feb 1, 2020

April 1, 2020

The change agent

Construction and testing

Actual implementation

The change agent will discover the root of the resistance and follow the process to deal with barriers and resistance (boss barrier, system barrier, information barrier and self-imposed barrier) (Kotter, 2002). As the change agent will be a high-level manager, the boss barrier will be eliminated. Non-technical users may not want to switch for fear of the uncertainty or loss of competency. The main goal be to help and empower through support, negotiation, convincing them through the process. Information barrier will be resolved through the communication

channels established. The reward system will be in place.

6. Create short-term wins

April 1, 2020

April 15, 2020

The change agent

This time, actual implementation of the new ERP system will be completed. Since there are many components in an ERP system that are combined into one whole system, the change agent will release the components one by one to the guiding team for testing. After the component is complete it will be released to all users. By releasing the components one by one, users may be able to monitor the progress of implementation and eliminate the fears of those who were unsure. It will also provide an opportunity to get acquainted with the individual products, get support before the start of the entire system.

7. Don’t let up

April 15, 2020

May 1, 2020

The change agent

After short-term wins releasing the components, the change may become slower. Because of the slow down, some of the users may become unmotivated or even negative and cynic. That is why it is important to maintain the momentum (J.P.Kotter, 1996). The final step before the full implementation will be trainings in small groups in order to transfer the knowledge to all users.

Close up

8. Make change last

May 1, 2020

July 1, 2020

The change agent and guiding team

Post-implementation

Enhancement

By rewarding users and giving them praise when they are successful in change, they will continue with the good behavior. The reward will be financial as bonus to the salary.

At this point the old ERP system will be removed. The lack of options will solidify the use of the

new ERP, but further optimization of the product will be necessary. User manuals should be provided to the users. Training videos will be produced and posted on a shared network. The guiding team will also be available to provide ongoing support to those who need help. To assure the ERP implementation continues as a success, the change agent and the guiding team will perform follow ups with the users.

Conclusion

One of the main problems in ERP projects is focusing on technical and financial aspects and neglecting to take into account the human-related issues. Due to its comprehensiveness in covering organizational diverse dimensions, McKinsey's 7S model has been deployed to identify the reasons of the failure, probable gaps and weakness areas. Based on the results of the assessment the implementation plan was prepared.

The number of the steps described in the implementation plan were missing or ignored mainly focusing on the technical side of the change during the implementation of the OdooERP at MAK, which resulted the project failure. Therefore, the implementation of the new ERP system should follow a structured change management process such as Kotter's eight-step model. Emphasizing a sense of urgency, forming a coalition, establishing and communicating the ERP vision to all employees will reduce the likelihood of encountering the obstacles from the previous implementation.

The author decided to apply for the position of the change agent and act as a project champion for the implementation of the new ERP system. Champions are critical to drive consensus and to oversee the entire process of the implementation. The author's high-level position in the company must help to enhance the implementation.

In order to achieve the best results in a transitional change, clear two-way communication with the stakeholders should be kept regularly updating the results and accepting feedback and giving them the support and training needed.

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