Vodafone: A Giant Global ERP Implementation

CASE STUDY

Vodafone Group PLC is the largest mobile service provider by revenue in the world, with 400 million customers across Europe, the Middle East, Africa, Asia Pacific, and the United States. In 2013, it had revenues of $64.6 billion and more than 86,000 employees working in over 30 countries. Since its founding nearly 30 years ago, the business has experienced phenomenal growth, largely by establishing local operating companies that provides products and services to their local markets.

As a result, the company was very decentralized, lacking common practices, centralized operations, and data sharing among its various operating companies. Most of Vodafone's mobile subsidiaries operated as independent companies with their own business processes. Vodafone was a network of individual businesses, but it wanted to function more like a single global firm to better deal with competitive pressures. Management called for a major business transformation to make this happen.

In 2006, Vodafone's board of directors approved the "Evolution Vodafone" Business Transformation Program" (EVO) designed to refashion Vodafone into a truly global company, with a centralized shared services organization and common worldwide business processes in finances, human resources, and supply chain management for all of the operating companies. (Shared services refers to the consolidation of business operations that are used by multiple parts of the same organization in order to reduce costs and redundancy.) A common SAP ERP system would provide the technology platform for these changes by supporting information-sharing and common business processes that would simplify and speed up work throughout the company. Additional software tools from Informatica, Opentext, Readsoft, Sabrix, Redwood, HP, and Remedy that could integrate with SAP were added to the mix.

Vodafone's system turned out to be one of the biggest SAP ERP implementations in the world. How did Vodafone pull it off? First of all, Vodafone's management realized the company lacked the expertise and resources to manage such a complex project entirely on its own. It enlisted the consulting firms Accenture and IBM to provide skills and services that this ambitious project required and which were not available inside the company.

The company spent a year identifying and designing its new business processes and establishing the scope of this project. The management team wanted to limit risks to non-customer-facing processes that were nevertheless important sources of value for the firm. Customer-facing front-end processes were excluded from the first phase of the rollout to keep the transformation more manageable.

Procurement was targeted as the first set of processes to be transformed using the new ERP system. Vodafone had been allowing each of its local companies to manage its own procurement, which prevented it from leveraging the massive purchasing power the company could obtain by managing relationships with material and service suppliers from a single entity. By generating savings from centralized procurement, the transformation project would be able to quickly show a return on investment and win further support. Vodafone did not establish a centralized procurement department but instead created a centralized procurement company based in Luxembourg that uses the SAP ERP platform. Most of the company's spending goes through this central organization. Suppliers benefit because the system helps them plan their sales to Vodafone and they only need to work with a single purchaser instead of many. This new way of doing business included a new purchase-to-pay process in which invoices are approved automatically for payment by matching them with purchase orders and receipts.

Once the new procurement process and organization were running, Vodafone started creating a centralized shared services organization based on the SAP ERP system. It selected Budapest, Hungary as the pilot location for this new arrangement. Vodafone Hungary is a mid-sized company with 2,000 employees with a small IT platform based on Oracle software. This made Vodafone Hungary more receptive to changing its information system and business processes than Vodafone organizations in larger countries, and Hungary had already been using Oracle systems. There, Vodafone built an entire shared services organization from scratch while simultaneously implementing the SAP ERP system. Vodafone then set up two more shared services organizations in India running on SAP.

After Hungary, Vodafone implemented the new procurement process and SAP software for its

German operating company. Germany is Vodafone's largest market, and accounts for more than 20 percent of Vodafone's total revenue. Vodafone Germany is a much larger organization than Vodafone Hungary, with 13,000 employees, over 130 local legacy systems, and many customized business processes to replace. Work habits were more deeply entrenched, and Vodafone encountered some employee resistance as it tried to implement the new systems and processes. To minimize risk, Vodafone used a phased, incremental implementation, did a tremendous amount of testing, and made all the necessary system modifications before the system went live. Special support teams were dispatched to work with all the employees affected by the transition. These efforts helped address problems and employee resistance before they got out of hand. Once the German implementation was deemed successful, Vodafone rolled out the new system at many more operating companies, prioritizing the implementations based on each operating company's size, complexity, and willingness to change.

No two rollouts proceeded the same way because each operating company had unique challenges and demands. Many of these companies had grown rapidly, and had numerous legacy systems based on local requirements. There were large numbers of users, interfaces, and legal requirements to deal with. Vodafone's project team had to balance the need to proceed rapidly with the need to ensure that the system was implemented carefully.

Vodafone's implementation plan called for a core project team to visit each individual operating company and implement the new processes locally, assisted by a systems integrator and local resources. Local teams and senior management met with the global teams, IT consultants, and local IT vendors in a friendly environment to encourage knowledge-sharing and openness to change. The success of each rollout was based on multiple factors, including the number and complexity of each unit's legacy systems, the skills of each local project team, and the willingness of each local organization to embrace change. Vodafone enlisted the services of the global consulting firm Accenture to provide skills where needed and assist with change management in the local companies. Over time, the Vodafone project team and the Accenture consultants learned how to tailor their activities to the needs of each operating company. For example, if no representatives from an operating company showed up for the project launch meeting or they attended but showed little interest, the project team knew that company might be less cooperative. In such cases, the project would require more resources and attention.

The project team also had to be sensitive to local trends as system rollouts took place. For instance, if an operating company was located in a country experiencing economic downturn, its employees might be more resistant to the rollout. Some might see a major business and technology change as an improvement in their situation, while others might see it as another thing to cope with during a very stressful time.

As it finished rolling out the system to its remaining operating companies, the Vodafone project team used what it had learned to make improvements to its earlier ERP implementations. For example, testing and employee feedback revealed that more attention should be paid to usability. So, the project team enhanced the system's interfaces to make them more user-friendly.

Given the nature of the business, Vodafone's management wants about 80% of the company's internal transactions to take place on a mobile device. According to Niall O'Sullivan, Vodafone's Global Finance Transformation Director, management believes mobile apps will be a major advantage in driving compliance, increasing ease of use, and reducing resistance to the actual processes themselves. The goal is to have the vast majority of user interactions with the system take place on a mobile phone. According to O'Sullivan, mobility provides easy access for employees who don't typically engage with the SAP system, so more employees are using the system. The more people use the system, the greater the return on investment. Over 60,000 employees around the world now use the new system, with 80,000 expected by the end of 2014.

Vodafone is now rolling out some of its enterprise applications for mobile devices, and so far, four have been selected. The first to go mobile was a travel and expense reporting application. Employees are able to take a photo of their receipts and get reimbursed without using any paper, and they can issue or approve requests for leave on their mobile phones all at one time. This application has reduced the time required to file travel expenses from 30 minutes to 10 minutes, with 7,500 expense claims filed each week, resulting in 300 person-days' potential savings per week. Vodafone's future mobile plans call for the development of a mobility portal and the integration of approval applications with finance, HR, and electronic sourcing.

Vodafone's business process transformation and ERP system have increased business efficiency and produced annual cost savings of $719 million. The total cost of ownership (TCO) of information technology has been lowered. Throughout the world, Vodafone has a consistent way of working and a more unified organizational structure. Getting the various operating companies to think and act more uniformly and to adopt a shared service model has produced benefits that are not immediately quantifiable, but should lead to further profitability in the long run.

Sources: "Customer Journey," Vodafone Group PLC. www.mysap.com, accessed May 28, 2014,"www.vodafone.com, accessed May 29, 2014; Derek DuPreez, "Vodafone HANA Project Moves Beyond Trial Despite Skills Challenge," TechWorld, March 11, 2013; "Using SAP MaxAttention to Safeguard the Global Rollout of SAP ERP," www.mysap.com, accessed April 8, 2013; and David Hannon, "Vodafone Walks the Talk," SAP InsiderPROFILES, October-December 2012.

CASE STUDY QUESTIONS

9-13 Identify and describe the problem discussed in this case. What management, organization, and technology factors contributed to the problem?

9-14 Why did Vodafone have to spend so much time dealing with change during its business transformation?

9-15 Why was an ERP system required for Vodafone's global business transformation?

9-16 What management, organization, and technology issues had to be addressed by the Vodafone project team to ensure the transformation would be successful?

9-17 What were the business benefits of Vodafone's global business transformation? How did it change decision making and the way the company operated?

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