

# Ensuring E/CTRM Implementation Success



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# INTRODUCTION

**An energy/commodity trading and risk management (E/CTRM) system implementation project is the structured process of taking a newly acquired E/CTRM software product from delivery of code to full “in production” use, and in the process, meeting the business needs that precipitated its purchase.**

Implementing an E/CTRM system shares many of the complexities involved in implementing any other enterprise-scale IT system. It requires a comprehensive plan, solid leadership (both executive and project management), specialized technical and business expertise, and a commitment from the software vendor to provide the necessary support to make their new client successful.

However, E/CTRM solution implementations are further complicated by the fact that the E/CTRM product operates not only as the system of record (that is, the system that records, maintains, and accounts for transactions), but it also provides capabilities for managing contracts, trades/deals, logistics, position management, risk management, and associated analytics. A comprehensive E/CTRM system is designed to be a singular system that provides energy and commodity trading organizations the depth and breadth of the highly specialized functionality their businesses require. As such, E/CTRM systems are extremely complex and require detailed knowledge of the business combined with a deep understanding

of the software capabilities to properly implement. ComTech Advisory's experience and research suggest that the effort required and the risks involved in implementing and integrating a sophisticated, configurable enterprise-scale E/CTRM solution are often poorly understood by the client and may be minimized (though not necessarily intentionally) by the software vendors during the sales process. Underestimating the real costs and project risks can quickly turn what would otherwise be a “bargain” software package into a long-term, costly headache. All things being equal, when it comes to E/CTRM software, the lowest priced solution may not necessarily be the right solution.

E/CTRM licensing and implementation costs can range from several hundred thousand to several millions of dollars, and any failure during the implementation process will be costly. As such, it is important for those considering the purchase of a new E/CTRM to understand the risks and the success factors that can mitigate those risks when undertaking such a selection and subsequent implementation in order to avoid costly mistakes.

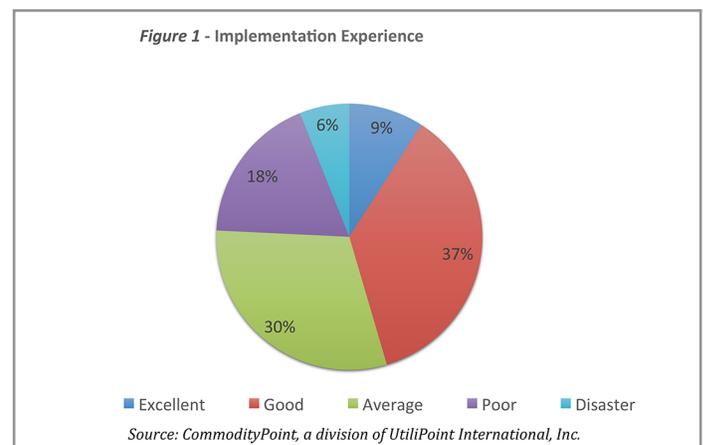
# NAVIGATING THE ROAD TO A SUCCESSFUL E/CTRM IMPLEMENTATION

**Given the scale, scope, and depth of capabilities of today's modern solutions, E/CTRM systems reach deep into organizations in terms of personnel, business process, and budget. Implementations are rarely, if ever, a quick or easy process. However, a deliberate and careful system selection, coupled with a well-planned and well-managed project, will ultimately help your organization minimize the risks that could jeopardize a successful implementation.**

When measuring success, it is rare that an implementation project is deemed either a complete success or a complete failure. Instead, you need to look at the potential project outcomes on a continuum, ranging from success to failure. Complete success is defined as the project being completed and live-use occurring on schedule while on or below budget, essentially meeting or exceeding all of the customer's expectations. Complete failure would be a project that, despite the efforts of all parties involved, ends without the system ever being used in production.

CommodityPoint, a predecessor organization to Commodity Technology Advisory, conducted a research effort several years ago that looked at the experiences of buyers when implementing new E/CTRM software (Figure 1). The study indicated that only 15% of the respondents would define their implementation as either excellent or a complete disaster. The rest fell

somewhere on the continuum described above. A significant concern identified in this study was that nearly a quarter of the respondents indicated negative implementation experiences, yielding a response in the bottom two categories (poor and disaster). This raises the following questions - "What went wrong with these implementations?" and, more importantly, "What could have been done during the process to have changed the outcome?"



# AVOIDING COMMON E/CTRM PROJECT RISKS

**While there are any number of factors that may contribute to the success or failure of a given project, the majority of these can be grouped into one of the following three success factors, none being mutually exclusive:**

- 1) Selecting the right product,**
- 2) Deploying the right team (vendor, system integrator, and client), and**
- 3) Executing proper planning and management of the overall project.**

**By better understanding how each of these factors contributes to the overall success of a selection and implementation project, organizations can implement effective strategies to mitigate the risks and ensure that each of these success factors is achieved.**

## Selecting the Right Product

**Organizations often step out of their comfort zones and into the unknown the first time they go to market for an E/CTRM system, and many will use the services of third party consultants to help walk them through the process. One of the most important components of the selection process is an organization's ability to provide vendors with realistic, complex scenarios that fully represent the company's business processes and system needs. Again, the path towards success or failure of a project starts as soon as the selection process begins and is based on the buyer's ability to get this critical piece of the process right. A perfect implementation is irrelevant if you select the wrong product.**

It is a truism in the market that most systems can handle about 80% of the needs of most potential clients; however, it is the remaining 20% that will challenge the capabilities of many systems. Unfortunately, failures are often the result of using the wrong criteria to assess a system's capabilities against an organization's business needs; that is, the capabilities

tested during the selection process cover the most common and basic functional needs but fail to delve into the more complex and unique needs of the organization. Given this, the vendor may not adequately cover the more complex capabilities or those that are less common simply due to a lack of understanding the client's complete business process. Whether

the client is to blame for not providing solid scenarios, or the vendor is to blame for not asking enough of the right questions to uncover such, the result is that system buyers fail to identify and fully understand functional gaps in the prospective solutions during the sales process, and these gaps are therefore not found until the implementation process is underway.

## Ensuring Product Selection Success

The good news is that you can sidestep mishaps and help to ensure selection process success by considering and acting on the following:

- If your business does not possess one or more resources that have led an E/CTRM selection and implementation project in the past, seek the assistance of a system integrator or consulting firm that specializes in such efforts, has resources dedicated to the E/CTRM space, and is experienced in your market.
- Invest the time and effort required to make a proper selection. Create a dedicated cross-functional team

comprised of experienced representatives from each functional group that the new system will impact.

- Define scenarios for selection testing that include the unique idiosyncrasies of your business (the 20%) rather than what is consistent across the industry or most common in your business.
- Create demo processes that force changes on the fly to prevent scripting to an expected result rather than scripting a “solution.”
- Select a vendor and solution based not only on functional fit but also on vendor experience in your market, market reputation, and references/experiences from their clients.
  - Check vendor supplied references but also seek others that are not on their reference list.
  - Seek the opinions and experiences of system integrator firms that have previously worked with that vendor’s products.

## Deploying the Right Team and Planning Effectively

**Part of ensuring a successful project and gaining the most return on your investment requires that you deploy the right team to execute the implementation and carefully plan as much of the project as possible on the front end to avoid surprises or unwanted interruptions. While both the vendor and/or the system integrator together with the client start out with the best of intentions, E/CTRM projects can run into challenges along the way without careful, effective planning.**

Team and staffing issues can arise when the vendor or system integrator assigns a subject matter expert(s) (SME) to the project who lacks sufficient expertise

with the solution or in the customer’s market. This results in the SME’s inability to accurately and effectively translate and map the customer’s business to the

capabilities of the system being implemented. Challenges such as these can delay the project's forward momentum and often result in staff changes mid-stream which, in addition to causing delays, can often be costly as well.

Another common roadblock associated with deploying the right team is starting the project with highly skilled and experienced vendor or integrator resources only to have those resources pulled from the project after initiation and replaced with others who are less skilled or knowledgeable. Even in cases where the replacement resources are equally skilled or experienced, they may lack the depth of understanding of the customer's needs and processes that the consultants who initiated the project possessed, and as such, the momentum of the project will surely be impacted.

While no one ever wants to blame a client for a project gone awry, the reality is that sometimes projects do derail as a result of issues related to the inability of the client to bring the right internal resources to the table. In these cases, one can usually trace the cause to a lack of support or sponsorship from the client's executive staff. Such support is vital to ensuring the proper dedication of time from those client personnel who know the business, are able to communicate that knowledge, and can effectively collaborate with onsite consultants. Both knowledge and availability are critical in this case. Furthermore, if the acquisition and implementation of the E/CTRM solution is not regarded and supported as a strategic initiative of the company (and given the appropriate level of executive sponsorship), it is unlikely

the staff involved will either be willing or able to dedicate the time and effort necessary to ensure the successful completion of the implementation.

While all of these potential pitfalls sound alarming and may initially raise red flags, you are already ahead of the game simply by your awareness of these issues. Understanding the "gotchas" of implementations allows you to better prepare your organization and team to avoid them.

## Staying the Course with the Right Team

By possessing a clear understanding of the risks involved and the factors necessary for success, you can procure the right team and craft an upfront plan aimed at ensuring success, tweaking along the way as needed. To best identify the personnel and blueprint for your project, you should:

- Collaborate with the vendor and/or system integrator to ensure the "best" consultants are assigned to your project. Don't be afraid to interview their candidates or at the very least request resumes detailing prior project experience and a full listing of their expertise in order to ensure those resources understand your business and the markets in which you operate.
- Understand your prospective vendor's ability to provide a level of service that will be unaffected by other commitments they may have or will have during the tenure of your implementation project.
- Be prepared to commit the internal resources that know your business and infrastructure of the project from the beginning. Though the number of resources required will change as the selection/implement-

tation project progresses, the team members' time spent on the project must be prioritized to that project, and their daily roles should be backfilled if necessary during their time on the project.

- When budgeting for a new system, be honest with

yourself about your team's strengths and weakness and what they are able to contribute to the project. Plan and budget for appropriate levels of external assistance in light of that.

## Successful Management of the Overall Project

**Selecting the best solution for the business and properly staffing and planning the project are obviously key to the overall success of this endeavor. However, as previously noted, an additional and crucial factor in determining the success of an E/CTRM acquisition and implementation is the commitment at the executive level. As the leaders of the organization, the team looks to them for guidance and affirmation, falling in step with their direction. Simply stated: if the executive team doesn't clearly make the project a priority, then neither will the team. Lack of executive commitment to the project ultimately means the project will not get the level of dedication it needs to be successful.**

Lack of executive support most commonly results in a shortage of dedicated resources from the business unit, with internal resources unable to deliver the planned hours to the project on an ongoing basis. While no business maintains, as a matter of course, a surplus of employees, large-scale systems projects, such as an E/CTRM implementation, do require dedicated resources during the course of the project. Although the time dedicated may be less than 100%, no implementation project can be successful without the appropriate business resources participating and providing the bulk of the knowledge regarding the company's business processes, markets, contracts, counterparties, and all other elements of the business. These experienced business resources will be responsible for making decisions regarding configuration of the system, including workflow, screen layouts, and data configuration. Their consistent and adequate participation throughout the project lifecycle is critical in

successfully advancing the project.

Proper budgeting of both internal resource time and dollars is essential to the ultimate success of the project. Without fully understanding and appreciating the effort, resources, and time required to complete an implementation of an enterprise-scale solution such as an E/CTRM system, the client may fail to appropriate sufficient dollars and effort during the development of the initial budget and/or business case. Often, and despite advice from vendors or system integrators, clients will seek to shave time or dollars from the budget in order to minimize costs. Unfortunately, experience has shown that these savings rarely materialize, and the ultimate costs of the project rise above what would otherwise be a practical and reasonable budget due to delays and rework required as a result of incomplete or improper system configuration.

# CHAMPIONING THE WAY

**Organizations can, again, mitigate these risks by considering and following a few simple guidelines at the onset of selection and implementation:**

- Ensure clear executive commitment and sponsorship are in place and are clearly communicated to the organization. Confirm the business understands that the project is a priority and that their level of support for and performance during the project will be measured.
- When issues arise, it will fall upon the executive sponsor to make the difficult calls. That executive must be available during the project to make decisions and ensure all resources are performing to the plan.
- Problems, delays, and controversies are bound to arise. Ensuring the implementation plan and approach have appropriate change control procedures is critical to prevent the project from straying off course.
- Motivate your team and reward performance. Implementations are difficult, and often companies don't recognize the sacrifices of those involved. Incentivize your team members and loudly celebrate successfully met milestones.
- Plan and budget for success by confirming that your budget and timelines are realistic. Overlay those timelines against your company's other business priorities to prevent conflicts and ensure adequate time is provided.

## CONCLUSION

As your organization addresses the complex requirements of your business, understand that the implementation of any large scale software product is challenging. An E/CTRM solution acquisition and implementation process is no different. Buyers can avoid some of the most common (and most costly) pitfalls simply through education and awareness. It is critical to understand the success factors and risks involved prior to the initial selection of the product.

Companies seeking to improve their ability to manage their businesses through the deployment of a modern, comprehensive E/CTRM solution, such as those provided by OpenLink, will be better positioned for success. While there are no "silver bullets" that will absolutely ensure success, experience has consistently demonstrated that having 1) the right team of skilled and experienced resources, backed by an active executive sponsor, 2) an appropriate budget, strategy, and plan, and 3) the right E/CTRM product and vendor, will be a winning combination that will best ensure a successful outcome.

# ABOUT OPENLINK

Founded in 1992, OpenLink ([www.openlink.com](http://www.openlink.com)) is the global leader in transaction lifecycle management solutions for the commodity, energy and financial services industries. OpenLink provides a variety of commodity trading and risk management solutions for large to small global market participants across a wide-spectrum of asset classes. The company's solutions support the sophisticated needs of organizations that deal with cross-asset trading, complex derivatives, and portfolio management of assets or structured positions. All solutions support the basics of trading, financial risk management, physical logistics, operations including optimizations, and accounting.

OpenLink can tailor solutions for companies that need to manage physical assets with a requirement for time-series data, forecasting and optimization. The company's solution is a real-time, straight-through-processing (STP) software environment that supports crude, power, natural gas, natural gas liquids, metals, coal, weather derivatives, emissions, bandwidth, soft commodities, foreign exchange, and a variety of other markets.

Other supported solutions provide companies the ability to trade physical energy and commodity products, vanilla OTC products, physical and financial options and swaptions, complex products, exchange traded products, physical and financial options, physical asset classes, foreign exchange and swaps, and fixed income over the counter options.

Owned by leading private equity investment firm Hellman & Friedman, OpenLink is a global software and services

business that has grown both organically and through strategic acquisitions, to achieve revenues in excess of \$300 million. The company serves over 500 clients, including 12 of the world's largest commodity and energy companies, 9 of the largest financial institutions, and 13 of the largest central banks. OpenLink has 1,200 employees in 14 global offices on five continents, with headquarters outside New York City and field offices in Houston, Manhattan, London, Berlin, Vienna, Toronto, Tulsa, São Paulo, Mexico City, Bangalore, Singapore, Dubai and Sydney.

OpenLink has received numerous industry awards and recognition, including citations as the industry leader in Commodity/Energy Trading and Risk Management (C/ETRM) systems, and first-in-class ranking by Energy Risk magazine, with analyst firms Gartner and Chartis citing OpenLink as a leader in financial platforms.

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# ABOUT

## **Commodity Technology Advisory LLC**

Commodity Technology Advisory is the leading analyst organization covering the ETRM and CTRM markets. We provide the invaluable insights into the issues and trends affecting the users and providers of the technologies that are crucial for success in the constantly evolving global commodities markets.

Patrick Reames and Gary Vasey head our team, whose combined 60-plus years in the energy and commodities markets, provides depth of understanding of the market and its issues that is unmatched and unrivaled by any analyst group.

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