

September 15, 2005

THE I.T. DISASTER: AVOIDING THE UNAVOIDABLE

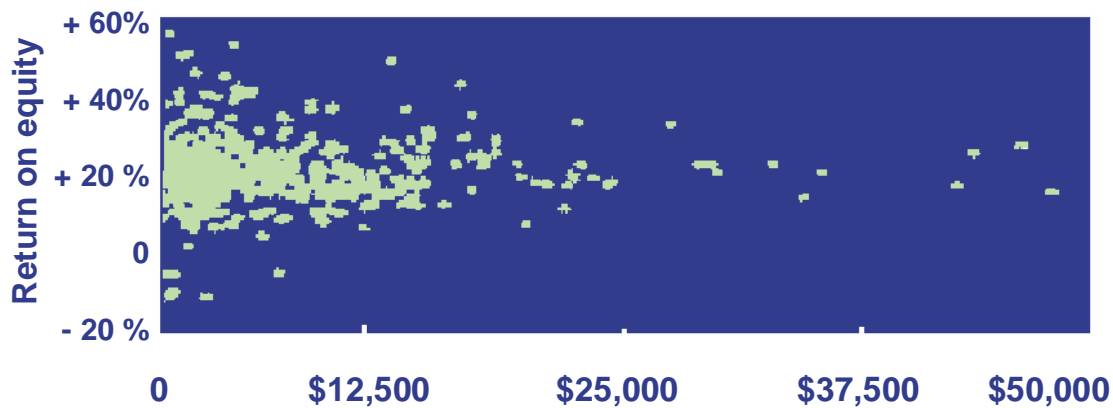
by Bill Belt

"Disastrous implementations come with the ERP territory," (1) says Roger Phillips, analyst at Granville PLC, a leading investment bank (2). Here are some examples:

- the U.S. candy manufacturer unable to deliver his chocolates to retailers for the big Halloween and Christmas seasons (2) (3)
- the French aluminum manufacturer who couldn't invoice his customers for 3 weeks after cutover... "catastrophic" according to one of its top managers (4)
- the U.S. metal fabricator who invested \$13.8 million over 2 years to start up an ERP package, whose project ended in "disaster", and who spent another \$14.4 million to straighten things out (5)
- the \$10 million ERP project with modifications estimated initially at 300 days of work, which had to be re-estimated at 3000 days of work (6)
- the bankruptcy of Fox Meyer Drugs, a U.S. pharmaceutical concern, with annual sales of \$5 billion (7) (8)

In general, there is no correlation between the amount of money expended for ERP projects and their return on investment.

Annual information technology expenses per employee



Source : Paul Strassman, Computerworld

What are the **causes** of these disasters?

1. Confusing the software package with the technology of industrial and logistics management that it is supposed to support: "Everybody thinks it's going to solve all their problems." (9)
2. Top Management's reluctance to own up to operational difficulties and a breakdown in communication between Top Management and the implementation team (10): "Top Management doesn't know anything about manufacturing management and doesn't want to know." (11)
3. No preparedness to manage change brought on by ERP packages, which themselves are too complex (12) (13): "Lots of people think that the more functionality there is, the easier implementation is. In fact, my experience is exactly the opposite." (12)

How to avoid the seemingly **unavoidable**?

1. Understand the simplicity of the technology of Anticipation (planning) and insist that the IT system stay simple and robust.
2. Pilot everything, avoid the big bang:
3. Strike a balance between the required IT interfaces and having an integrated system—which is never without interfaces anyway—in the light of Point No. 1 above.



4. Financially justify the project by functional benefits (customer service, inventory and work-in-process, direct and indirect productivity, purchase and procurement cost, non-Quality) and not by personnel reduction, which is a will-of-the-wisp; track each projected benefit with a performance measurement.

Avoid the IT disaster as in tennis. You don't try to hit an ace every time, but you do try never to make a double fault.

Notes and references:

(1) IT: Information Technology, ERP: Enterprise Resource Planning, a software suite offering modules covering many areas of business; (2) "ERP Disasters: Bet the company—and lose", www.accountancyage.com/IT/197653 of April 19, 2000; (3) "When Computers Fail", by Gary Strauss, USA Today, December 8, 1999; (4) Original sources from Bill Belt Excellence; (5) idem; (6) "Un échec programme", by Edouard Youker and L. Roberts, Gartner Group, L'Informatique Professionnelle, No. 179, 1999, pp. 40-41; (7) *Décision Micro et Réseaux*, August 31, 1998; (8) "The Fox Meyer Drugs Bankruptcy: Was It A Failure of ERP?", case study, by Judy E. Scott, University of Texas, Austin, TX; (9) Internet message to BBX from a consultant at an IT integrator firm; (10) op.cit., accountancyage.com; (11) op.cit., Internet message; (12) ERP/MRP Software: Valuable Tips for Selection and Implementation", by Chris Gray, www.partnersforexcellence.com; (13) "Expert warns of ERP Perils" (Michael Hammer), by Hooman Bassivian, *Computer Weekly News*, March 23, 2000.