



7 reasons why ERP systems fail

By Martin Bailey

ERP is generally the single most expensive software acquisition a company will ever make, sometimes costing more than all of the standalone packages a company may have combined. Not only is it traditionally expensive, but companies rely completely upon it. So why is it that many struggle to implement such a system, or limp along for several years using partial functionality before abandoning it?

I've interviewed dozens of companies that have moved away from existing ERP systems. While the reasons vary, they can be grouped into seven categories:

NO SPONSORSHIP FROM THE TOP

It's all very well the production manager wanting (and getting authorisation for) a new manufacturing system, but if it is not driven from the top down then he's fighting a losing battle.

They will not have the authority to instill change in other departments and, in larger organisations, may not even have relationships with the relevant managers of each department affected. All key staff at the top level need to be in agreement when selecting a system, and this desire for change must make its way very visibly down the chain of command. Internal politics can also play a part here – people sometimes have their own hidden agenda and because of inter-departmental conflicts, decisions detrimental to the business good are often made.

THE FEAR FACTOR

Staff can be fearful of change, seeing progress as a possible threat to their very employment. Companies are often selective on the number of staff they send for training. People also move on, taking their knowledge with them and perhaps leaving it to less experienced staff. These factors play a massive part in the success or failure of a system. People by nature will take the easiest route to completing a task, which



▲ Waterford based Eco-Burner delivered huge growth with 123 Insight software

◀ Eco-Burner witnessed 800% growth by implementing an effective ERP system

IT'S NOT JUST I.T.

Many mistakenly believe that ERP is purely an I.T. issue rather than an enterprise strategy – it spans virtually every department within a company, influences decisions and is effectively the infrastructure upon which the business sits. Why then, do many companies under-resource its selection or implementation process, either in terms of the number of staff or their experience and understanding of the business? You need to ensure people responsible for it don't just know I.T but understand how the business needs to run so that they can appreciate how the software has to work to support the business operations. One common thread of successful implementations is that key staff have attended the relevant training courses and had a good understanding of everyone's roles - not just their own.

POOR IMPLEMENTATION

An engine can still run when it's poorly tuned, but it'll drink fuel and suffer from poor performance - the same can be said for a poorly implemented ERP system. Unlike an off the shelf package, no two ERP installations are the same, as the



RH Technical Industries wouldn't have coped with the surge in business without streamlining

will be the way they currently know. More often than not the implementation of a new ERP system does not equal mass redundancies, but it does ensure that a company can grow without needing more human resources.

Eco-Burner in Waterford, Ireland, saw 800% growth with the same admin resources after implementation of 123insight. Knowledge is power. Staff need to be educated on the positives that the system will bring to them, their company and ultimately their customers. Make them aware of how the system will positively affect their individual role. Personalise it! Fear of the unknown can be replaced by anticipation of how it could improve their working experience. Meridian Medical based in Littlehampton, cited that their Despatch Manager who was historically one of the people most resistant to change is now the biggest advocate after he saw how the new system would make his life easier. Remember also that while a system administrator may need to understand the depth and breadth of the system, many staff will only need to understand their job-specific elements of it.

companies they serve will want to work in their own unique way. Companies are often led down the consultancy path to customise the system beyond all recognition but then pass ownership of the problem to an external consultant that may not ultimately understand the business. This relates back to our first point; as well as having sponsorship from the top the system should also be championed from within, rather than wholly trusting consultants that do not have a true understanding of your business and only their own commercial considerations at heart. By all means employ an expert to assist with specifics such as server implementation, quality or data migration, but the overall project should be managed from within. A core internal team covering all affected departments should be set up to understand the workflow. A simple 'top level' bullet list of core functionality is all that is required.

THE TAIL WAGGING THE DOG

This problem is similar to poor implementation but occurs when the wrong solution has been implemented in the belief

that it can be somehow shoehorned to meet the company's needs. There is often no way out of this situation other than to bite the bullet and write off the cost or spend even more on expensive customisation that ensures that you will pay over the odds for maintenance and further modifications with every new future release for years to come.

Wiltshire based Lascar Electronics spent over £80,000 on a system but within weeks of starting the implementation were told that they needed to buy additional modules to achieve what they wanted, despite providing clear documentation to the vendor before purchase. Three months later they had still not achieved a level of functionality that their previous Dos-based system was delivering and had to write this cost off. Fortunately for Lascar they didn't have the same massive up-front cost when they moved to 123insight due to the low monthly subscription. A good ERP system will be designed to meet the needs of the majority of its users with minimal or no customisation. As mentioned above, don't overcomplicate your initial requirement brief.

“Before you even start to select a suitable ERP system, get your house in order.”

receiving end of one such letter, which MD David Wakering saw as ‘the kiss of death’. “We thought long and hard about whether we just bumbled along with it but decided that we would have to do something sooner or later, so we decided to do it sooner.”

THE RUSTED HANDCUFFS

Discontinuation is not the only problem with age. Obsolescence not only applies to your ERP but also the OS and/or hardware it runs on. Even in 2019, I still talk to companies running DOS, UNIX or AS/400 systems that have been live for 20 years or more. Windows has become the standard OS, with PC's falling in price and many more staff knowing how to use them. Nobody wants to pay maintenance on bespoke hardware that is increasingly difficult to find spare parts for or pay an ever-shrinking number of people that are experienced enough to support legacy OS, network or application software. RH Technical Industries in Andover were previously running an AS/400 system. Prior to replacing it with 123insight, they had to source a component after a system

failure which they were able to get from one of their own clients that had been running the same hardware platform.

Often when a company contacts their vendor, the software upgrade costs can be prohibitively expensive and require a complete hardware infrastructure on top, making the pill doubly bitter to swallow. Ensure that whichever system you select is based upon the latest application development platform and that it has a well-supported and industry-standard database structure such as SQL. By doing so you will future-proof your investment and ensure that you can easily interface to your data from other internal systems. If you need to do much (or indeed any) interfacing, ask your vendor if they have a software development kit (SDK), or whether they have to handle custom development, as this could considerably increase the overall cost.



RH Technical Industries reduced stock levels by 20% with efficient MRP

‘IT’S AN EX-ERP SYSTEM, SIR.’

Over the years it's common to see companies perform mergers and acquisitions of similar organisations. Invariably there will be casualties, and if your ERP vendor is acquired by a bigger fish from the same pond then it's quite possible that you'll get a letter saying that the product is no longer being developed, followed by a later letter saying it's no longer supported at all. While the system won't stop working overnight you are then hanging your entire company on a ‘mission-critical’ system that will bring your business to a standstill if it fails. According to a University of Texas study, where companies suffer catastrophic data loss, 94% will not be trading a year later, leaving just 6% standing.

If you are on the receiving end of a ‘discontinued product’ letter, then alarm bells should be ringing! You will no longer be able to obtain assistance to write new reports or to customise the product, so your system will no longer be adaptable to business changes. Toucan Systems in Abertillery were on the

SUMMARY

Some of these problems are difficult to avoid without a crystal ball, but forewarned is forearmed. The old adage of ‘the bigger they are, the harder they fall’ still rings true. Failed implementation not only bringing financial burden but often leaves your business in a worse shape than before. Before you even start to select a suitable system, get your house in order. Assign your team and ensure they are all in agreement that a new or replacement ERP system is the way forward. Select a system that offers the best fit for your business on a well-supported platform, but go in with open eyes and a simple specification. Break the implementation down into manageable chunks spread across your team and meet regularly for progress updates. With any large-scale implementation there will be challenges along the way but with the right mindset your company will make the transition with relative ease and avoid becoming another statistic of failure. ■