

IT Disasters: White Paper

Every one knows an IT horror-story

Just type “ERP disasters” into Google and you’ll instantly get a whole host of multi-million disaster stories. Stories of companies big and small where implementation costs have run completely out of control or operational performance has suffered so badly that \$ millions have been lost in sales as a result. Or both.

The stories are both young and old, so the problem has been with us for years and has not gone away. Each new generation, each new update and each new roll-out produces a new batch of tales of woe

Operations are left to pick up the pieces

...and time and again, the functional departments of operations, supply chain, sales etc are forced to work with a system that does not do what they need it to do. Problems such as cumbersome reporting for executives, inaccurate data and long waiting times for operational staff lead to frustration, work-arounds thru to simply ignoring the system

Its not the software!!

Perhaps surprisingly, its not a problem with the software or with any particular brand of software. All the top systems offer excellent functionality and masses of experience and the disaster stories are certainly not limited to one or two brands.

So what is still going wrong?

We have taken a look at a number of cases, both ones we have encountered with clients and published stories and we have found that the problems can be grouped into 6 main categories. Any particular disaster will contain one or a combination of these underlying causes

1. The Board buy in to transparency and consistency and the operating divisions have to deal with the “one size fits all” solution

A major feature that is sold by software providers to Company Boards when they are considering embarking on a major IT implementation is the panacea of transparent information flow across their divisions and plant locations. This is a powerful concept

that appeals to many business leaders and there is no doubt that centralising data within a common system does make this goal possible.

However, the adoption of a standard IT solution together with a standard business template is also frequently pushed by software providers as a key requirement for achieving this consistency. In truth, the reason for adopting a “one size fits all” solution is more to do with simplifying the project from the IT provider’s perspective, rather than the customer’s benefit. This frequently leads to sub-optimal IT solutions being implemented in many cases.

2. Inappropriate configuration and parameter settings

ERP packages have numerous options and “switches” for setting up processes to meet a vast array of business situations and requirements. In many cases these settings are not aligned with what the business really needs and consequently performance is compromised. It is often the case that manager’s perception of what the ERP system is meant to be doing is very different to what the actual system configuration is driving the business to do (“it’s not doing what it says on the tin”)

3. Poor data integrity and accuracy

Failure to appreciate the importance of data integrity and accuracy is a major cause of ERP failure. Whereas previous systems may have been tolerant of missing or incomplete data fields, modern ERP systems demand this as a prerequisite for stable operation. The consequence of this poor data usually manifests itself as a disrupted business process that cannot be continued until the data is corrected (eg the despatch function is halted until an incomplete delivery address is provided).

4. Lack of knowledge about processes and their interaction

Staff and Process Owners often have little appreciation for the detailed operation of their processes and how these fit within the overall system. They know “which button to press” under normal conditions but are unaware of the impact of missed process steps, non-standard process handling, or out of the ordinary situations. This coupled with poor data integrity is a recipe for frustrated staff and poor customer service.

5. Reporting that is not helping to manage or improve processes

Most companies are failing to use ERP reporting to actively improve their business processes. Reporting is usually limited to what has happened, as a statement of historic business performance (eg sales last month). Via the use of system alert and exception reporting Process Owners can actively improve their processes (eg all sales orders that are potentially going to miss their OTIF date unless they are expedited). It is interesting that these types of exception report are rarely offered as standard ERP reports.

6. Ineffective project management

ERP projects often fail because insufficient resource and importance is attached to the role of project management. Part-time responsibility given to an already overworked Manager may seem a cost effective solution but you pay the price in the long term. An effective project manager has to ensure that business process functionality and key user buy-in are coupled with breaking down the barriers between IT and operational areas to deliver the best solution for the business in the shortest timescale and at lowest cost. Good ERP project managers combine change management skills with the technical ability needed to align the systems and the company culture

So how do we put it right?

1. Overcome the “one size fits all” problem

Identify both the common and unique aspects of business streams and their related processes within a multi-company, multi-site organisation.

Standardise the common processes wherever possible, but modify them where unique methods and operations provide competitive advantage. Why should you compromise on your market differentiators?

But, retain the underlying data structures and definitions in a consistency of form to ensure transparency of information flow regardless of configuration differences.

2. Determine appropriate configuration and parameter settings

Perform End-to-end process reviews and audits with process owners

Undertake gap analysis of current configuration versus business needs and prioritise areas of concern and their impact

Coach process owner teams to employ Business Process Re-design (BPR) techniques to re-engineer the process and reflect the solution in the IT package via suitable configuration

Re-define and agree system parameters based on benchmark standards and Lean policies, to compliment the new configuration

Pilot test revised design to make sure “it does what it says on the tin”.

Ensure all process owners are completely familiar with the new process “they know exactly what is in the tin”

3. Obtain data integrity and accuracy

Audit current data quality in terms of critical data fields and tables via sampling and cross check validation.

Identify problem areas and quantify extent and severity of the data accuracy problems

Prioritise data quality impact on business process performance and develop data cleansing plans

Implement data cleansing plans and monitor

Redefine data creation/ maintenance processes in conjunction with key users

Implement data quality monitoring systems, procedures and audit mechanism

Define & specify correct data migration rules in the case of data import from legacy systems

4. Impart knowledge about processes and their interaction

Key user workshops and conference room piloting for process review and critiquing. Learn how to design and manage end-to-end processes effectively.

Cross module training to raise awareness of process interaction, highlight consequences of data inconsistency and provide functional training.

Close the gaps between module boundaries to create smooth process flow. Moving from batch to flow in the office environment.

5. Develop reporting tools to manage and improve processes

Reporting tool training to provide key users with skills necessary to define and create their own reports.

Make key users aware of the standard reporting structures and tools that are already contained in their ERP systems but they just don't know about

Modify standard reports to include the information needed to transform them from merely statements of fact to process improvement tools

Key Performance Indicator definition, alignment and measurement. Make sure the whole business is pulling in the same direction to achieve a common goal.

Use process alerts and exception reporting functionality to flag up only the instances where processes are going to fail unless corrective action is taken. Situations that conform to "normal" process conditions and limits do not need to be seen as no action needs to be taken.

Concentrate on providing process owners with details of the exceptional situations before they have impacted on the customer, and whilst there is still sufficient time to react and correct. This is what good process management is all about.

6. Provide effective project management

SMART project management - Specific
Measurable
Achievable
Realistic
Timed

SMART change management - Structured
Mentoring
Alignment
Reasoned
Team development

IT department and Operations synergy building.

Convert the IT function into a proactive business improvement resource.

Align goals and expectations to avoid conflict of interest.

Instill continuous improvement philosophy for processes and systems to support business.
