

Top 10 ERP Implementation Pitfalls

Competitive pressures now force more organizations to select, design, build, and implement a true ERP solution. Based on my own experience and corroborated by interviews with other ERP professionals in leading international consulting firms, we compiled a list of the Top 10 ERP implementation pitfalls.

1) Misapplied Implementation Methodology

Following an established, time-tested implementation methodology makes sense. However, be warned: methodologies alone, do not ensure success, predict success, or reduce risk. The problem is not with a methodology itself but how it is applied to individual projects. The three classic mistakes are:

- Neglecting to size the methodology to the project
- Not allowing the phases to overlap (non-iterative or waterfall approach)
- Serving the methodology, rather than allowing the methodology serve the project team

The purpose of project management methodologies is to marginalize the human (i.e., random) element. Anyone, theoretically, can manage and deliver an on-time, under-budget ERP project as long as a methodology is faithfully followed.

Not true! The methodology can be misapplied. So then, why not create and enforce a methodology for correctly applying your methodology? Of course, this is more nonsense. Methodologies are useful and essential tools, and in the hands of an Anexinet PMI®-certified PMP® (Project Management Professional) work wonders in reducing implementation risks.

2) Data Migrations and Rewriting History

Oddly, one of the most pressing concerns clients have when moving to a new system is a desire to migrate all data from the old system. Obviously, we don't want to lose any real information or the history of customer interactions from the past. But transferring historical inventory transactions, purchasing activity, and sales orders from one system into another is extremely expensive and often pure folly. There are just too many database tables involved to make it work right.

Moving information to a data warehouse allows clients to pull out only the relevant data and toss out the rest. The cost is much less than importing data into a new ERP system. A client's end-users gain quick and easy read-only access to the historical data using a simple reporting or basic query tool. Retrieval is fast and painless. Best of all, a client can pull the plug on the old system. Typically, end users only need access to a listing of customer transactions over the last five years or so. There is no need for an ERP implementation team to recreate the entire transactional history of an accounting system.

3) Customizations to Handle Exceptions

Every project has at least one detractor who delights in pointing out how every proposed new feature will fail because it doesn't account for this or that exception. When asked how often an exception occurs, the answer is a vague "lots of times" or "often enough." The rational approach is to use objective metrics to calculate an agreed "percent materiality threshold." For example, if an exception pertains to less than 5% of revenue, it can be handled in a later phase of the project.

Questions to ask before approving customizations to handle exceptions should include:

- How many (customers, vendors, suppliers, employees, etc.) does the exception affect?
- How many times did the exception occur last month?
- What is the total monthly dollar volume each month for the exception transactions?
- Can affected customers, vendors, or suppliers be asked to follow a new standard procedure?

4) Failure to Understand "As Is" Process

The best way to launch an ERP project is to study what end users currently do in the normal course of business. This is known as the "as is" process. It is followed by the design of the "to be" process.

The "as is" process should be flow charted and documented in detail before anything else. This approach, although part of classic IT methodology, is sometimes criticized or under emphasized by well intentioned colleagues who "don't want to recreate the mess we have now" and fear "perpetuating the same old bad habits."

Unfortunately, such "forward thinkers" are famous for using their zeal for process re-engineering as an excuse to gloss over and ignore what has been going on in a company for years. They never investigate or understand how the system needs to operate in the real world.

Many so-called "strange" and "inefficient" processes evolved over time due to very real business demands. More often than not, people are doing something a certain way for good reasons.

5) Misuse of Templates

Some ERP consultants try to get users involved in the implementation process by giving them "homework" in the form of templates that need to be filled out. The templates are "boiler plate" MS-Word or Excel documents that outline configuration parameters of the ERP package for modules being implemented. The idea is to hold users accountable for each and every set up option, force them to make decisions about features, and shift as much project work as possible to the client.

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Clients accept this approach, reasoning that project fees will be reduced by having salaried employees do the work instead of consultants. The opinion is that consultants should only do what is absolutely necessary, such as installing software or running a data conversion utility. Users can certainly figure out how they want to “flip the switches” on screens and decide on coding schemes for inventory items, charge codes, SKU's, customer ID's, etc.

Consulting firms also like this approach because, down the road, if the client complains about anything, they can just point to the template which the client approved and say, “You wanted it set up that way.” In reality, users have full time jobs. They are constantly being called into production issues, and end up neglecting their “homework” and leaving the templates blank. The ERP implementation then falls behind schedule and increases projects costs for everyone.

Even when users fill out templates, responses are often partially or incorrectly completed. Users are not experienced ERP consultants. The coding schemes that they recommend may try to put too much information into one field, because they are unaware of other fields and features available in the software. While users need to be involved, they still require a consultant's time, guidance and oversight, which costs money during implementation, but saves in the long term.

6) Project Tracking

Implementing an ERP Solution takes time and cannot be rushed. Once due dates start to slip, you cannot simply throw bodies at the problem and expect to meet the now unrealistic deadlines. In layman's terms, “You cannot put nine women who are one-month pregnant in a room for a month to get a baby.”

ERP project managers need to have the means to accurately ascertain progress. Too often, especially on large complex engagements, there are not enough objective deliverables or milestones set early on, so that the consulting team is able to coast along for months. By adopting a phased approach, and insisting on short term milestones and deliverables that demonstrate tangible progress, project management can reduce risks and identify weak or underperforming team members early.

7) Budget Versus System Readiness

Some client-side project managers insist on sticking to budget and deadlines, no matter what. However, without other metrics to measure user satisfaction and ROI, being on time and on budget are meaningless. An ill-designed system can be implemented by a predetermined date, forcing users to suffer the consequences, while the project manager spins the story how the project was a huge success because it was “completed” on time. It is better to go over budget and not go live with a system until it is ready than to disrupt a company's operations.

8) Unrealistic Expectations

Revamping the chart of accounts is a good idea any time a new ERP system is implemented. It's a chance to simplify and streamline. Unfortunately, CFO's want to introduce every possible combination of business measurements into the chart of accounts. They envision being able to hit a button and get virtually any report in any dimension directly out of the general ledger.

Even if ERP implementers believe they can set up segments for numbers to provide such unprecedented reporting granularity, a cost/benefit analysis needs to be performed. People tend to underestimate the administrative or IT overhead in gathering and maintaining financial data in much greater detail, or they ignore the cost altogether. Will the increased reporting flexibility be worth the higher overhead? Often it's not.

9) Underestimating Front and Back Office Integration

During the late 1990's, in the rush to get on the web, companies hired design firms to create web sites. Many of these sites allowed customers to browse items and place orders. Only after the sites were designed and built did companies realize they had no way to process the web orders. Too many managers underestimated the difficulty of electronically linking the web site to sales order processing, inventory control, accounts receivable, and general ledger systems. The web site did not talk to the back office. Worse yet, they did not even speak the same language-inventory items on the web site used different codes than those in the order entry system, and different yet again from those in the purchasing department. Lessons learned are to implement ERP first, then extend it to include an e-commerce enabled web site.

10) Dependencies on Other Projects

Large complex organizations typically have several IT initiatives going on concurrently. Projects may have dependencies on other projects over which the ERP implementation team has no control. They can be asked to design and interface their solution to meet the specifications of another project. Should the other project fail, the ERP team wastes considerable resources tailoring their solution to fit vaporware.

The rule of thumb here is to have a contingency plan that takes into account that related dependent system development may lag behind or be scrapped. Be prepared to continue to interface with the legacy system, just in case the new system never materializes.

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