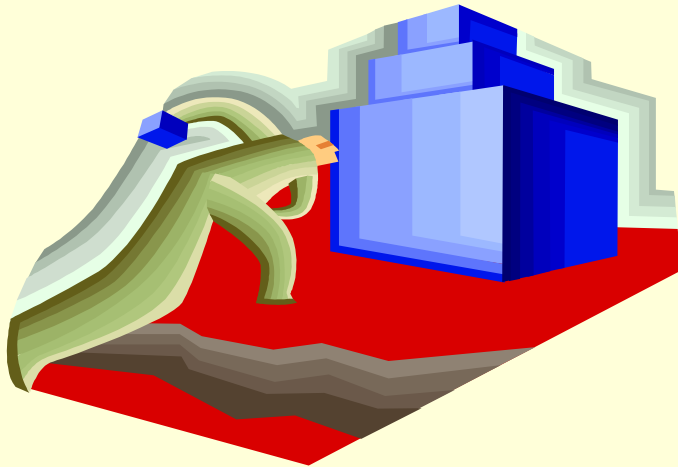


# Adaptive Growth, Inc



# **This Evening's Discussion**

## ***Why ERP System Projects Fail***

# Who We Are

- *Adaptive Growth is a business analysis and project management firm*
  - *We specifically focus on the manufacturing and distribution industries.*



# What We Do

- *We sell detailed packages of highly specific knowledge about mapping strategic business objectives to business technology*



# Deliverables

- A Guide for Market Discovery Projects

- New market endeavors



- A Guide for ERP Projects (**under construction**)

- To Acquire and Implement ERP systems
- To Maintain, Enhance, or Modify Existing Legacy Systems
- To Develop New Software for Existing Legacy Systems



# An ERP Project

- How many in the audience have been involved in an ERP (**E**nterprise **R**esource **P**lanning) acquisition and implementation project? (please raise your hand)



# About ERP Implementation Projects

- A Standish Group International report published in 2006 said:
  - *53% of ERP projects are challenged,*
    - They are late or over budget
    - They are implemented with reduced functionality.
    - They don't meet executive and user expectations
  - *29% succeed and*
  - *18% fail totally.*



# Are These Statistics Realistic?

- That *only 29% of ERP projects succeed*
- That *53% of ERP projects are challenged, and*
- That *18% fail totally.*





# What Sets Up ERP Project Failure?

- Audiences' experience with ERP project failure



# The Symptoms of ERP Project Failure

- The commonly used symptoms for the 71% failure rate expressed by users are:
  - *System doesn't match requirements*
  - Schedule and/or cost overrun
  - Missing functionality
  - The system was implemented with reduced functionality
  - The system was too difficult to implement
  - Inadequate system performance



# About These Symptoms

- One striking thing about all these symptoms is that they all appear *after the fact*:
  - In a few cases, when an implementation simply cannot be completed
  - In a few more, when it is demonstrably struggling
  - In the rest, after the system *has gone live*.
- *The most common symptom overall—**failed expectations***



# What We've Learned

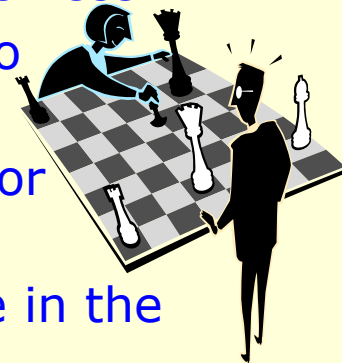
- Since 71% of ERP projects don't meet expectations, the traditional approach to them clearly fails to enforce expectations
- IT and department managers usually don't have a detailed document of what the company's executives expect from an ERP project
- It is important to note here that *failed expectations are usually not recognized as such by corporate executives*

# How ERP Projects Succeed

- Find an approach that addresses the pervasiveness of failure and its many meanings:
  - How 'failure' almost always means 'failure to meet expectations'
  - How 'failure to meet expectations' in turn means failure to
    - Discover requirements fully and comprehensively
    - State them in clear business language
    - Keep them in plain sight throughout the project

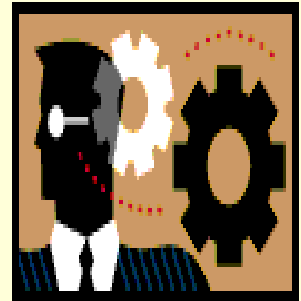
# An ERP System Project

- ERP projects are usually initiated for a compelling reason (usually not for the planned evolution of the current ERP system)
  - Because the current ERP vendor was acquired or has gone out of business
  - By a forced up-grade that is too expensive
  - By a dated legacy system and/or technology
  - Because of a significant change in the business environment



# The Typical Approach

- An ERP system project that is (usually) initiated without the company's executives having already described and documented
  - The company's current market position
  - Where it wants to go, and
  - How it intends to get there



# Is it the Approach?

- ERP system projects are usually started:
  - With a date the ERP project must be completed by (established before it begins)
  - With system requirements that are nothing more than wish lists
    - Each department provides its requirements
      - Based on what it currently has
      - Plus what it would like to have



# The Seller Selection Process

- Sellers usually selected based upon current functional requirements and the users' wish lists:
  - A Request for Proposal or Quote (RFP/RFQ) is provided to 5 to 10 ERP sellers (buyer research indicated that the selected sellers' ERP systems best fit the buyer's requirements)



# When Responding to a RFP or RFQ

- It is at this point the ERP system seller takes control of the buying process
  - Each seller will invoke their sales cycle and solution process to satisfy the buyer's system requirements
  - This is not necessarily a bad thing
  - But the buyer is not in control

# A Flawed Process?

- Sellers whose ERP systems fit the buyer's industry will usually respond affirmatively to all the questions in the RFP or RFQ
  - These sellers know the buyer's industry (usually better than the buyer)
- Responses do not address foreseeable changes or adaptability



# A Flawed Process?

- Meetings with the selected sellers
  - The sellers' purpose is a presentation that insures they can make the cut
- 3 to 5 ERP system sellers are usually selected by the buyer
  - Selected sellers do software demonstrations mapped to stated RFP/RFQ requirements
- Buyer selects 3 finalists
  - A second round of software demonstrations



# The Decision Is Usually Subjective

- The decision process in a nutshell:
  - The project team meets to choose one of the ERP system sellers' proposals
  - It is difficult to differentiate one seller's ERP system from the others
    - They all seem to satisfy the buyer's requirements
    - Each provides an implementation methodology it claims will insure success
    - Each provides a list of satisfied users to substantiate their claims

# The ERP Buying Decision

- The decision usually is a beauty contest
  - Which seller is the buyer most comfortable with?
  - Whose references were more enthusiastic about the ERP system they purchased?
  - And finally, with which seller can the buyer negotiate the best price?
- Usually, this is the process that fails to prevent 71% of all ERP system projects from failing to some degree

# Avoiding ERP Project Failure Requires

- A document that describes where the company wants to be in its market over the next 10 to 15 years
- A strategic plan derived from the executives' vision for the company
- The company's strategic business objectives mapped to business technology

# Avoiding ERP Project Failure Is Done By

- Explicitly establishing all expectations as requirements.
- Establishing the ownership of requirements
- Using established requirements for acceptance criteria at every step in the development of a Statement of Work
  - To be presented to qualified sellers of ERP systems
  - To be embedded in the project plan



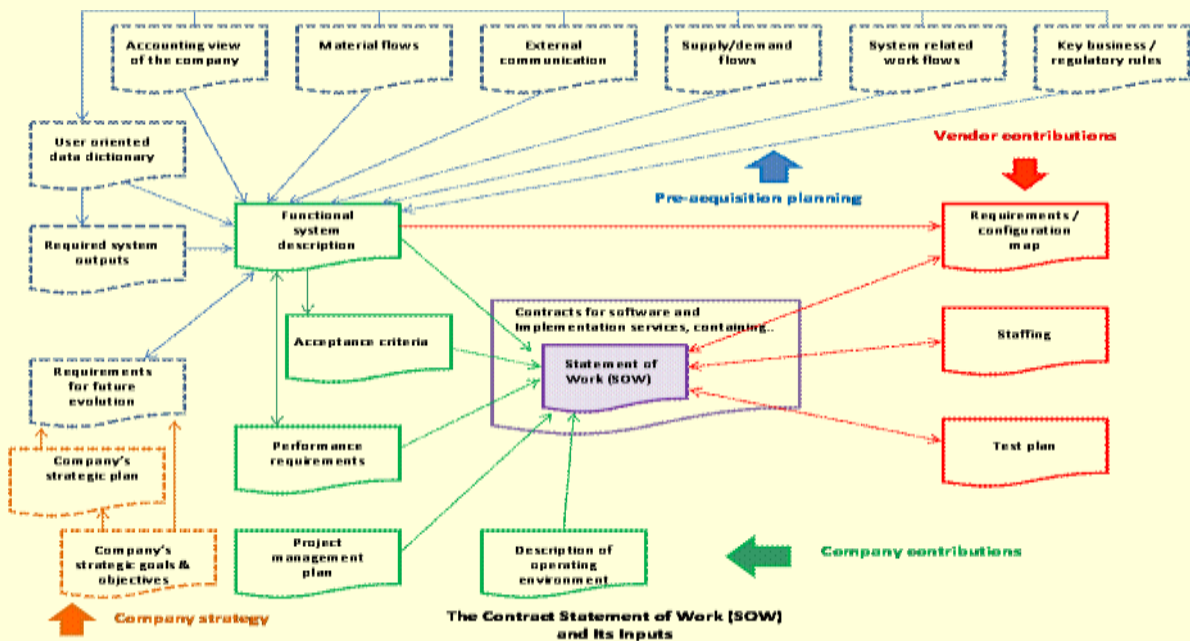
# What is Required to Insure the Success of an ERP Project

- A structured approach that ensures the business requirements and strategic objectives are being addressed at every succeeding technical step
- A structured approach that renders the concept of progress in predictable and measurable terms, a model by which actual performance can be understandably assessed.
- Describing, defining and documenting the projects risks

# A Statement of Work

- Building the Functional System Description (current business and system processes)
  - The accounting view of the company
  - Material flows
  - External communications
  - Supply and demand flows
  - Key business/regulatory rules

# Contents of the Statement of Work



# Embedding Requirements Deeply into an ERP Project

- Current business and system processes are developed simultaneously, yielding in the process
  - The user-oriented data dictionary
  - The required system outputs
- Combined with IT-driven requirements to yield the first cut of:
  - Performance requirements
  - The functional system description

# Embedding Requirements Deeply into an ERP Project

- The company restates its
  - Strategic plan and any
  - Strategic goals and objectives not stated in its formal strategic plan
- In system-friendly terms, which are combined to become
- The requirements for future evolution

# Embedding Requirements Deeply into an ERP Project

- The *requirements for future evolution* are delivered to the owners/authors of the original:
  - Accounting view of the company
  - Material flows
  - External communications
  - Supply and demand flows
  - Key business/regulatory rules
  - Performance requirements

# Embedding Requirements Deeply into an ERP Project

- These are revised accordingly, yielding a revised:
  - User-oriented data dictionary
  - Requirement for the system outputs
- And a revised and now complete
  - Functional system description
- From which
  - The system acceptance criteria are derived.

# Building the Statement of Work (SOW)

- The project team combines to develop:
  - The Functional System Description
  - Project Management Plan
- These and the
  - Description of the operating environment
- Are restated as:
  - The Statement of Work (SOW)



# ERP Selection Process

- Each candidate seller maps the SOW to its own system and/or implementation methodology, to produce:
  - Requirements/configuration map
  - Staffing plan
  - Test plan
- The above becomes the basis for package and/or implementer selection.

# ERP Acquisition Process

- The project team and the selected seller(s) jointly revise the SOW in light of the:
  - Requirements/configuration map
  - Staffing plan
  - Test plan
- The result of which is the final SOW.
- *The final SOW is incorporated into all contracts and the project management plan.*

# ERP Acquisition Process (cont.)

- The finalized contracts and project management plan become the basis for
  - All scheduled tasks
  - All progress reporting
  - Earned value
  - System acceptance at every stage

# A Structured Model

- Derived from the industry's collective experience in ERP system projects over the past thirty years
- Unique in that it is not a methodology but a structured Model based on formal project management and business analysis standards

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