

## Technology Has History

If you don't learn from history, it is bound to repeat itself. This observation has been used to illustrate a number of different scenarios such as politics, war and economics. However, it also applies to the purchase and implementation of technology.

A few recent situations that we have become aware of have made me wonder if the purchasers of technology have learned much from the past 25 years of MRP and ERP technology history. In the cases I am about to tell you about...apparently not. Since I do not relish the idea of embarrassing organizations, I will only use case numbers to discuss the issues...but these are real situations that have occurred in the past year.

### Case 1 – Technology falls over

This organization hired a well-known consulting firm to take them through the functional definitions of a Request for Proposal (RFP) and the final vendor selection process. This process went fairly smoothly, wasn't too far over budget and was on time. The organization then conducted a conference room pilot with approximately 20 concurrent users participating. This was a relatively successful process although the budget did take a much larger beating.

The big day arrives! They go live on the system...until the western facilities wake up. Crash! The network systems overload. This event costs many dollars and two months time to fix.

I asked one of the organization's senior management on the team if they had verified that the vendor's proposed solution actually was working at another client site with the same types of communications (internet transactions), concurrent user count (over 500) and applications as they were going to use. They had...sort of. The vendor did have a site with a greater number of concurrent users and similar communications however there were two large differences: (a) they were not using internet transactions; and, (b) they were running an older version of the system that did not have some functions that would be heavily used.

### Case 2 – The implementation will cost WHAT?

This organization did not hire an ERP consulting firm as they have some very experienced people on the team. They did utilize an outside organization for team-building and conceptual education. The RFP and final vendor selection process went extremely well resulting in a contract being signed.

One of the first implementation tasks was to create the detailed project plan. When the plan was finished, the cost of the implementation had multiplied by a factor of four. It went from the proposal quotation of \$175,000 to \$702,000 with no guarantee of a top end. The CFO stopped the project there due to the potential cash flow issues that would result. Fortunately, there is a history of client litigation with this vendor and the CFO will get out of the contract and get the organization's deposit returned. That's the good news.

However, the organization now has to return to review the second and third place solutions. This will cost the organization in terms of personnel productivity and travel expenses and will effectively put the project back four to six months.

### Case 3 – Why can't I plan?

Here is a classic case of not knowing what you don't know (or thinking you know more than you do). The organization is a business that has: several manufacturing facilities; several regional distribution centres (RDC); and, numerous local distribution centres (LDC) that are both wholly owned and agencies. In this situation, the ERP solution needs to have Distribution Resource Planning (DRP) functionality that can net supply and demand down from the LDC level to the RDC level and then to the Master Production Schedule (MPS) of the supplying manufacturing facility. Since the organization also has a Make-To-Stock requirement supplying both retail and contract environments, they also should have a good forecasting solution that is integrated to the demand management at all levels as they sell directly from all three levels of their business.

The organization's Information Technology group went about the task of purchasing a new ERP solution. The system chosen has a DRP function. Unfortunately, it is single-level. The system also has something called forecasting. Unfortunately, it does not have nearly enough functionality to forecast this particular industry. When you combine these two issues you come up with a solution that cannot forecast or net demand down to the manufacturing level (MPS). Since you cannot generate an MPS, you cannot generate the Material Requirements Plan (MRP) either making the purchase of raw materials somewhat difficult to control.

#### Lessons to be learned from history

From Case 1 – Validate the technology infrastructure. If you cannot find a match within the current client base of the vendor, err on the side of caution in both your budget and your plan. When installed up front in the project, his technology infrastructure is much less expensive than the alternative.

From Case 2 – Prepare the detailed project plan BEFORE you sign the contract. You should be prepared to pay the vendor for the project management services provided. If you tell the vendors during the proposal stages that this activity will take place, you are more likely to get realistic estimates in the proposals from the vendors.

From Case 3 – Utilize expertise when defining the requirements for the solution. Get the users involved in the definition of requirements. Validate the ability of the system to support the business functions of the organization.

From all of the above...learn from history or it may repeat itself.

#### About the author

*Ken Cowman has over 11 years experience working in operations management and over 26 years of management and enterprise solutions consulting experience. With over 25 years of executive management experience and 6,500 hours of education and seminar leadership experience, he has the experience to be able to view the organization from all levels and ability to provide the appropriate level of teaching and/or consulting to effectively assist organizations in their quest for continuous improvement.*