

# ERP Project Recovery: Lessons Learned by a Global Distributor

It's painful to admit, but when an ERP project fails, it's time for a re-boot, recovery and lessons learned project. Throughout its 25-year history, Ultra Consultants has often been approached to guide enterprises through an ERP recovery project.

Such was the case with a manufacturer/distributor Ultra worked with following a long-term failed ERP project. Here we present the various lessons learned.

## About the Company

The client is a global manufacturer/distributor with distribution centers in Europe and sales offices in Canada, Japan and China. It operates in a regulated global environment and has three concurrent service methods:

- Catalog sales with a focus on high volume distribution, serviced by make to stock and purchase to stock
- Make to order
- Engineer to order

The company is vertically integrated having purchased other manufacturers and raw materials suppliers.

## Why A Lessons Learned Project?

Ten years before contacting Ultra, the company had attempted to implement a new ERP solution, but the effort was stalled during the 2009 recession. As the economy improved, the company continued to discuss ways to get back on track with its goal of implementing a better enterprise technology system but was unsuccessful. Finally, company management engaged Ultra Consultants to conduct a "lessons learned" analysis and to guide a new ERP selection/implementation project. Its goal was to move onto a platform to support future needs while ensuring the same mistakes from the previous failed implementation efforts would not occur.

## Ultra's Key Findings

Based on interviews, surveys and a review of vendors and documentation, Ultra Consultants identified a group of key findings. The interviews included approximately 40 individuals from the Steering Committee including the Project Manager and Project Lead, the core team and analysts. The Ultra team asked similar questions of IT staff, functional staff, external technical and functional consultants and client leadership.

## At a Glance

### Project Recovery

Ultra Consultants was asked to conduct a lessons learned project with a manufacturer/distributor with a failed ERP solution and to manage a selection and implementation project with new technology.

### Outdated Systems

More than ten years ago, the company tried to implement a new ERP system but was unable to complete the project due to the 2009 recession. Its existing ERP solution prevented the company from meeting its goals of industry compliance and efficiency.

### No System Support

The ERP solution was no longer supported and its proprietary database, containing non-relational data, was difficult to use. Time and resources were wasted, and potential ROI was lost when the company was unable to implement the right system ten years ago.

### Business Process Improvement

The Ultra team evaluated the situation and conducted a business process improvement project including a current state analysis and crafting a desired future state vision.

### Successful Outcomes

Using its proven BPI methodology, the Ultra team recommended and managed implementation of a new ERP solution.

The Ultra experts reviewed responsibilities and evaluated performance, competence, ERP knowledge, propensity to change, innovation, respect in the organization, performance in the project and deliverables, key functional drivers via a review of the legacy ERP and its processes, and degree of fit of the ERP to the business.

Here are the key findings:

**The Legacy Solution:** At a high level, this enterprise was hampered by two major problems. First, its existing ERP solution prevented the company from meeting compliance goals and efficiency aspirations. Second, the ERP solution is no longer supported and its proprietary database, containing non-relational data, is challenging to manage and difficult to use. Both time and resources were wasted.

**Strategy and Methodology:** Ultra's experts found that the original statement of strategy for replacing the legacy system was appropriate and suitable to achieve the desired outcomes. However, the enterprise moved into a software selection process without an agreed-upon vision of the desired future state of operations or education in industry best practices – and with a flawed selection methodology.

**The Project Team:** While the company implemented the applications with a highly energized and determined staff, they lacked dedicated project resources which resulted in delays. Project goals were inconsistently communicated to the team and vacillated between replicate the existing model vs. implement current best practices. Moreover, team activities were poorly coordinated resulting in siloed decision making. The project team was missing a dedicated and certified project manager knowledgeable in ERP/commercial software deployment and current operations/lean methods.

The team was further lacking an agreed-upon and well-defined project implementation methodology. Ultra's team uncovered a lack of adherence to steering team edicts, poor ongoing project discipline and push back.

**The Implementation Partner:** The implementation partner underestimated the complexity of the company's operations and did not aggressively surface risk nor identify the software misfit in a forceful manner. While the implementation partner provided guidance and advice about options for meeting the business needs, such advice was sometimes pushed aside

with comments of “we know better” (a version of “not invented here”). This was a recurring theme brought up in the interviews with consultants and project staff, as well as in documentation.

**An Independent Consultant:** The manufacturer engaged an independent consultant (before turning to Ultra Consultants) “to determine whether the vendor’s ERP software would provide the functionality necessary to run the business today and to grow the company domestically and internationally.” The independent consultant failed at risk management and did not fully communicate the poor fit of the software.

**Software Misfit:** The software identified through the flawed methodology did not sufficiently match the company’s needs in all three service areas. Its performance was not acceptable in the key areas of order processing, distribution, and bulk data loads.

The software was heavily modified and was unsupported in the mid-term. Its database was not maintained on an open architecture platform which complicated integration. Its lack of configurability limited the company’s ability to adapt as it grows and evolves.

Because the software did not properly address the needs of a wholesale distribution enterprise, it required significant customization. A culture of “modify to fit” within the IT department also contributed to the amount of required customization.

Without an understanding of supported business practices available from modern ERP solutions, the team was unaware of other options.

Data integrity, cleansing and conversion efforts were underestimated with flawed methodologies.

## Lessons Learned and Ultra’s Recommendations

The original impetus to replace the legacy ERP solution with a modern system remained. Ultra’s team of experts advised the company to reset its IT and business transformation strategy using an approach based upon Ultra’s proven business process improvement, selection, and implementation methodology to provide a framework for success.

Because the business has a divergent set of business models, processes, and products, the Ultra team focused on the development of current state documentation to provide a foundation for a distinct list of improvement opportunities, required changes, and associated benefits.

### Recommendation #1 Business Process Improvement

Ultra’s team recommended that the company proceed with a structured business process improvement project that would include education and the definition of a future state vision.

#### Project Drivers:

-  Replace misfit, unsupported and difficult-to-use legacy ERP
-  Align business processes
-  Gain an ability to scale to anticipated growth
-  Dedicate sufficient project resources
-  Consistently communicate project goals to entire team
-  Coordinate team activities and eliminate siloed decision making
-  Provide knowledgeable project management
-  Design well-defined project selection and implementation methodology

**Value Realized Through Ultra BPI Services:**

- Future business processes
- Future system context
- System demonstration script reflecting the future state
- A long-range transformation plan
- A business case
- A detailed implementation charter which would highlight prerequisite preparation tasks necessary to ensure a successful project

An education curriculum speeds the learning curve of the project team and allows them to visualize the possibilities in developing the future state. The construction of a view of the future state ensures alignment of goals. The development of the future state design shortens the evaluation and pays tremendous dividends in the implementation design process.

Future state process documentation provides a basis for the software evaluation and delivers substantial time savings in preparing the ERP vendors. A common view of the future significantly reduces time to implement a new ERP solution while assuring that all aspects of the business have been factored into the solution.

## Recommendation #2 Technology Selection

Following the identification and definition of the desired future state, Ultra recommended that the company proceed with a structured and disciplined enterprise application selection process and a risk managed business transformation.

The business transformation plan laid out a phased approach that enabled adoption of the future state vision and business case in digestible steps. The cultural challenges necessitated a rigorous organizational change management program and strong project management team. A small and empowered steering team measured success and maintained accountability.

**Value Realized Through Ultra Selection Services:**

- Depth of knowledge of the ERP vendor community
- Knowledge of vendor partner channels
- Track record of successfully implementing ERP within manufacturing and distribution companies
- methodical approach to selection decision drivers

## Recommendation #3 Technology Implementation

The team from Ultra Consultants provided program management and governance services, implementation consulting, business analysis, quality management, risk management, and change management services to the solution implementation activities. The team guided a successful selection and implementation of a new ERP solution.

Ultra's experience and leadership to hold everyone accountable to a future state focused implementation that delivers the expected ROI and enables business aspirations brought this project a successful implementation of a new ERP.

The goal was to reset IT and business transformation strategy using proven methodology to provide a framework for success.

Ultra's professional services deliver appropriate and robust project execution designed to achieve the project objectives and secure the business expectations.

**Value Realized Through Ultra Implementation Services:**

- Business processes and best practices consulting
- Managed software vendor accountability
- Change Management
- Information technology architecture consulting
- Quality management and continuous improvement
- Data management and accountability
- Core team staff augmentation

## Final Thoughts

We frequently see companies rush to merely swap out a legacy enterprise technology system with a new one without looking at current business processes or drafting a unified future state vision. That's why Ultra Consultants advocates a well-designed business process improvement methodology that leads to technology selection and implementation to properly fit the business and its goals. We execute appropriately managed projects with an early focus on fully-loaded resource plans, robust risk and change management, governance, and technology planning – we know that these are the necessary ingredients for the most successful project outcomes.

Whether it is a recovery project or a new enterprise solution project, Ultra Consultants brings extensive expertise and successful methodologies that result in strategic success for manufacturing and distribution concerns.

## About Ultra Consultants

Ultra Consultants is an independent research and enterprise solutions consulting firm serving the manufacturing and distribution industries throughout North America, as well as companies with global operations. Since 1994, Ultra has delivered enterprise technology expertise and process management to drive business performance improvement for our clients. More information on the company's services, leadership, industry verticals served, and software vendor relationships can be found at [www.ultraconsultants.com](http://www.ultraconsultants.com).