



AN ERP SYSTEM EMERGENCY

By: Norman Katz, Katzscan Inc.

I was approached by the CEO and CFO of a company with a significant problem: a runaway ERP project. A few years and a few million dollars gone by, and the custom-developed ERP system could not go live due to endless errors. How bad were the errors? The numbers on the packing list would not add up to the total. That's right, the system couldn't add.

After two weeks of analysis and interviews and observations, I presented my findings to the CEO and CFO: they must stop the project, consider it an expensive lesson, and implement an off-the-shelf application which would have been my original recommendation, though I was not involved from project inception. Further, I told the CEO and CFO that the custom application would require significant modifications for their growing Electronic Data Interchange (EDI) business, as key vendor compliance requirements could not presently be met. In addition, I found the design of the overall system flawed: i.e. an invoice should be generated from a shipment, not from a sales order, as the system was currently designed.

The group of consultants programming this system had no relationship with the employees of the company, as they consistently looked down upon them, and were very derogatory to them in conversation. This animosity was compounded by the forced workload on the employees to get the system data loaded and test a system that the employees knew would not meet the functional requirements of the company....but the consultant group never asked their opinion, believing themselves to be more knowledgeable. The client company was forced to pay employees literally hundreds if not a few thousand hours of overtime to manually reenter 20,000 customers into the new system, only to see their efforts wasted.

The CEO and CFO asked me to co-lead the project team, to be headed by the VP of Operations, to select and implement an off-the-shelf ERP system. My client's IT department consisted only of network and hardware technicians, so I would take on a dual-role representing my client's interests with regards to information technology and business operations. With a lean manufacturing consultant already on board, and a former CIO brought in to assist, we got right to work.

Within six weeks we performed a needs analysis based on the company's current state and growth plans, used a database of ERP solutions to select potential solution companies, prepared a sample data packet, saw three candidate system demonstrations, and signed a software vendor. Continuing the momentum, the project team – the three leaders and key client employees – went to work defining data setups and business processes in the new ERP software.

I had the software company change their training methodology to increase training efficiency and reduce the training timeframe. I performed the data conversion of 99% of the customers programmatically – a few customers had to be redone manually. (Based on the users' prior customer-conversion experience, they did not think programmatically converting the customers was possible, but they learned over the course of the project to trust my capabilities and judgments.) I programmatically converted the items from three distinct data sources, including parsing the descriptions for key terms to know how to classify the item. Pricing policies, customer notes, and customer pricing plans were all programmatically converted – the notes into Word® documents and the pricing plans into Excel® spreadsheets, the documents and spreadsheets then logically attached to each customer's master record. A/P, A/R, and G/L data were converted too. We went live 12 months after the contract signing.

By creatively setting up the data and utilizing unused data fields and system features for our benefit, the total cost of customizations was reduced to only \$12,000. That represents less than 5% of the software cost (\$250,000) not including per-user license fees, and represents 1.2% of the total \$1M project cost. **Copyright © Katzscan Inc.**