

# James A Robertson and Associates Effective Strategic Business Solutions



*Why your ERP is NOT delivering and how to fix IT*

## 3. Why do ERP implementations fail to deliver?

*The Real Issues in World Class ERP and the Critical Factors for ERP Investment Success*

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# Discussion



## 1. Why do ERP implementations FAIL to deliver

# Three alternative ERP value scenarios Unlocking the TRUE potential of ERP / IBIS 100 / 1,000 x the norm ???

This is the ONLY valid scenario but it seldom occurs

Relative **strategic** value measured in terms of business competitiveness, growth and profitability

3. **Strategic** customization  
With CEO Custody

2. **Strategic** precision configuration  
with CEO Executive Custody

1. Current industry norm for process based "Best Practice"

~~10~~ 0.01  
0

~~10~~ 1  
0

~~1,000~~ 10  
0

# What is an ERP? REALLY?



**"Attendees of Gartner's Business Intelligence Summit in London last month were not surprised to hear that most enterprises are still failing to use business intelligence (BI) strategically. Gartner's survey of over 1300 CIOs returned some unimpressive findings about the state of BI implementations: Gartner's vice president of research summed up the situation nicely by saying: "Most organisations are not making better decisions than they did five years go."**

**RECAP**

# Pulse Measurement



1. Concise diagnostic intervention – 1 to 2 weeks
2. Starts with executive interviews – understand Business and how it Thrives and Critical Success Factors
3. Drill down to systems
4. +/- 7 bullet point findings, weighted
5. +/- 7 recommended actions, weighted
6. Findings frequently so obvious and so practical client can continue unaided
7. Strategic advisory and / or project leadership to implement recommendations

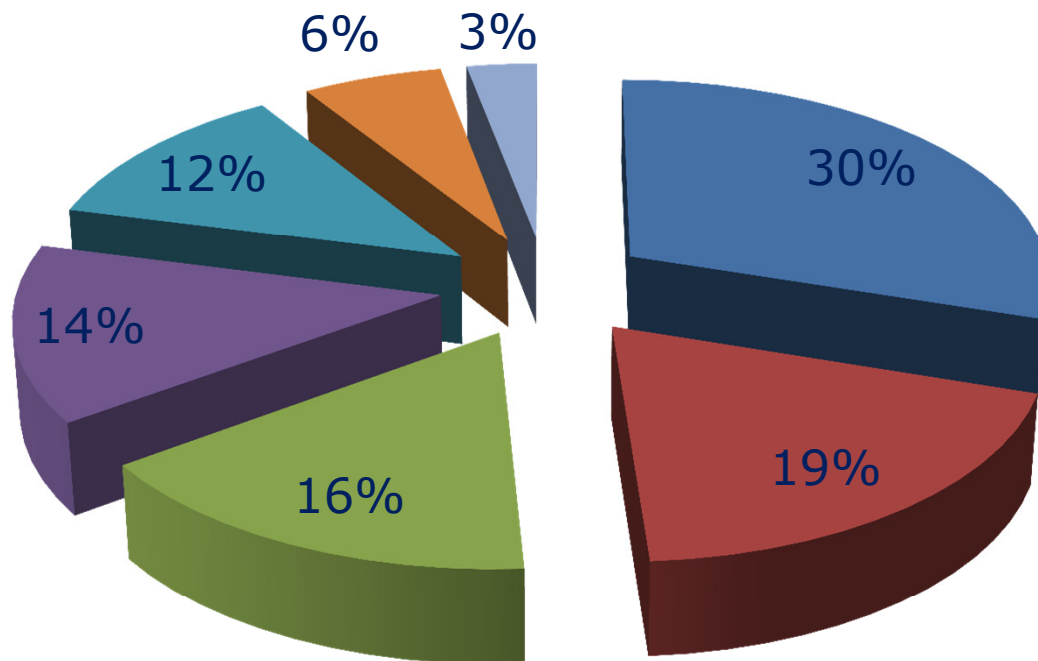


# Analysis of consolidated findings



<https://www.dropbox.com/sh/vfkrz5p5yliwwar/yV7SrD6kSh>

# Factors causing ERP failure Based on 20 years of experience conducting Pulse Measurements

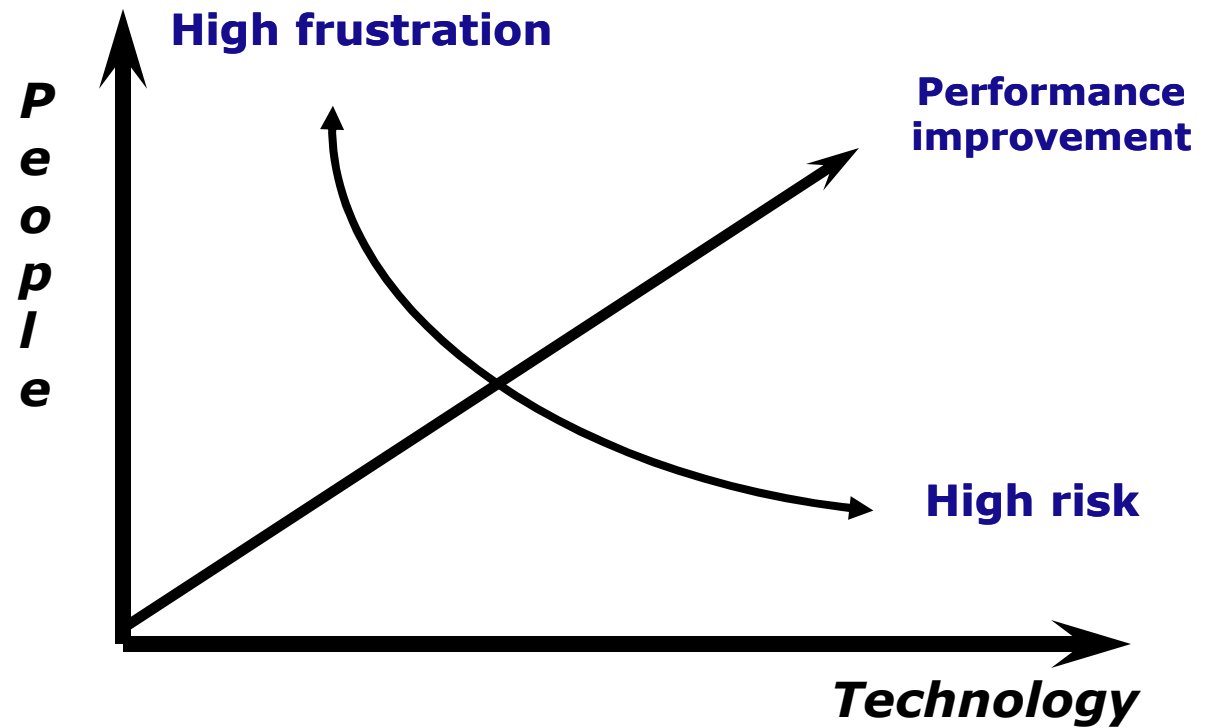


- 1. Mythology, hype & tradition -- 30%
- 2. Executive custody, governance, policies -- 19%
- 3. Strategic architecture, alignment, etc -- 16%
- 4. Data engineering and configuration -- 14%
- 5. Soft issues and change impacts -- 12%
- 6. Engineering approach -- 6%
- 7. Technology issues -- 3%

# People and technology alignment



**Empowerment**  
**Commitment**  
**Ownership**  
**Experience**  
**Knowledge**  
**Participation**  
**Consultation**  
**Information**



**Methods**  
**Strategic objectives**  
**Systems**  
**Structures and processes**

After Dr Fritz Hölscher



# Analysis of findings at ...

## Assessment of business risk



1. Probability of occurrence
2. Expected delay to occurrence

Business Outcome	Time Years		Probability	
	Lo	Hi	Lo	Hi
Outright business failure	0.5	3.0	20%	30%
Seriously detriment growth	0.5	1.0	30%	50%
Sub-optimal business operation	Now		40%	15%
Scrape by	Now		10%	5%
Thrive	Never		0%	0%
<b>TOTAL</b>			<b>100%</b>	<b>100%</b>

Success measured by share price and shareholder return on investment – function of growth and profitability

# Analysis of findings at ...

## Conclusions

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1. Nothing wrong with ... -- work on a 20 year design life
- 2. Severe risk of fatal business damage**
- 3. Huge opportunity for strategic high value implementation**

# Analysis of findings at ...

## Risk and opportunity



### Risk

Very weak configuration and data engineering

Very weak integration

Cannot get required information

Inefficient system and business operation

e.g. Not able to manage the decline

### Opportunity

Strategic top down design

The essence of the business and how we thrive

High quality data engineering and configuration

Accurately model the business

Creative features to support strategic objectives

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**Fix the mess and raise the bar**

# Precision versus jumbled data





# ... 's current data engineering and configuration – Chart of Accounts EXTREMELY WEAK



**Huge impact on integration, reporting, etc**



- 500528 Waste Material Consumed
- 500530 Loss from valuation of external materials
- 500540 Loss from valuation of own materials
- 500550 Losses - inventory variance -consignment sale
- 500560 Safety Clothing
- 500565 Safety Equipment
- 500570 Sand & Stone
- 500575 Scraper Rope
- 500580 Scrapers
- 500585 Services
- 500590 Signs
- 500595 Skips & Cages
- 500600 Finished Goods Inventory Offset
- 500605 Smelting & Refining
- 500610 Production Order Settlement - Variance
- 500615 Steel Other
- 500620 Steel Sections
- 500625 Steel Sheets & Plates



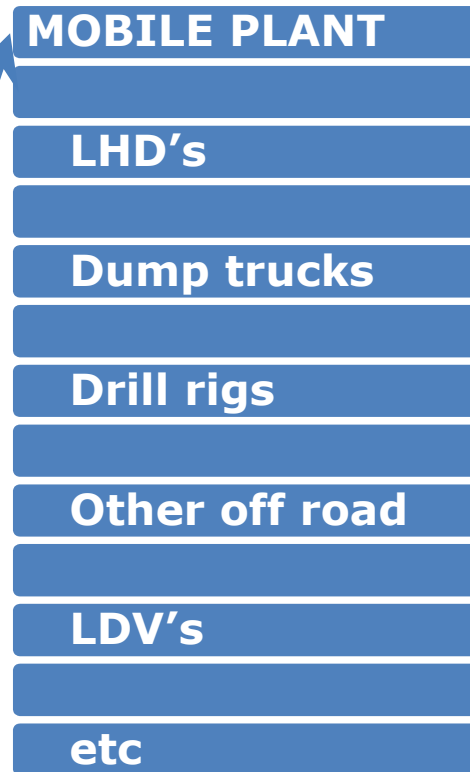
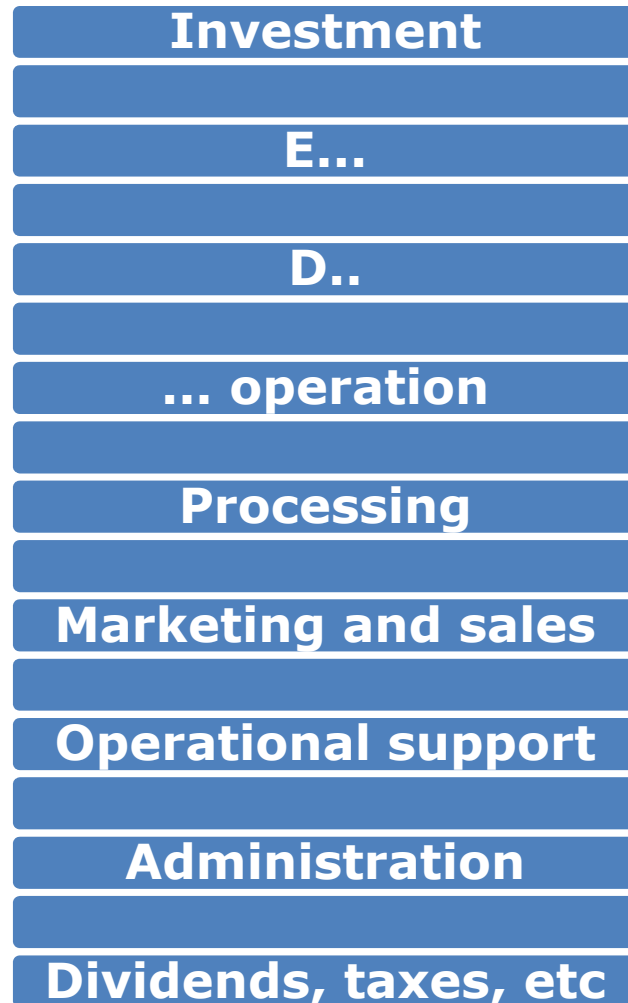
# From limited information access to highly ordered access



## Example of simple hierarchically structured data table

C.	ORDER CANCELLED
CC	Order Cancelled Credit Control
CS	Order Cancelled by Consumer
CT	Order Cancelled by Customer
D.	DAMAGED OR DEFECTIVE
DF	Defective Product
DM	Damaged Product
DP	Damaged Packaging
DT	Consumer Complaint
P.	PRICE ERRORS OR DISCONTINUED
PD	Discontinued
PI	Incorrect Price
S.	SUPPLY ISSUES
SD	Order Duplication
SF	Customer Non-Franchise Holder
SI	Incorrectly Supplied
SK	Overstock
SL	Late Delivery
SO	Oversupplied
SV	Not in Customer Inventory Master
T.	USED AS TESTER
TT	Used as Tester
Z.	OTHER
<b>ZN</b>	<b>Not Known</b>
ZO	Other

# Structure of strategically aligned Chart of Accounts design Tentative concept



## Assets

Assets owned  
Assets leased  
...  
Dep'n assets owned  
Dep'n assets leased  
...

## Liabilities

## Income

## Expenses

R&M assets  
Finance and insurance  
assets  
...

## Plant Maintenance

## Materials

## Management

Provide for foreseeable growth –  
open cast ..., etc

# Mapping between modules

## Well structured



### GL R&M spares expenses

**MOBILE PLANT**

**Loaders**

**Dump trucks**

**Drill rigs**

**Other off road**

**LDV's**

**etc**

### MM plant spares

**MOBILE PLANT**

**Loaders**

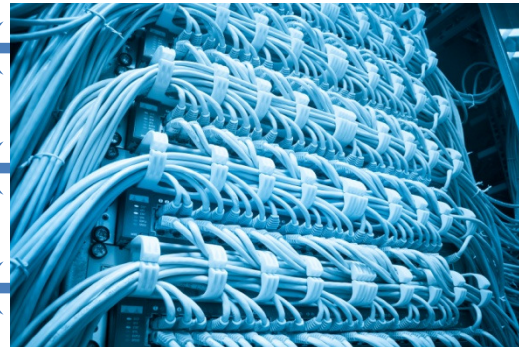
**Dump trucks**

**Drill rigs**

**Other off road**

**LDV's**

**etc**



Irrespective of the level of detail there is a parallel mapping from MM to GL, may be many items in MM to one item in GL but same logic Configuration is then easy and can be partially automated



# Mapping between modules Badly structured



- 500528 Waste Material Consumed
- 500530 Loss from valuation of external materials
- 500540 Loss from valuation of own materials
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- MOBILE PLANT
- 
- Loader's
- 
- Dump trucks
- 
- Drill rigs
- 
- Other off road
- 
- LDV's
- 
- etc

**Lack of consistency in detail in Chart of Accounts, random mapping, difficult and costly to maintain, VERY DIFFICULT to report on strategically**

# Mapping between modules

## Badly structured

### The spaghetti syndrome

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1. Can continue to weave a tangled web but as the business grows this will become less and less practical and is likely to eventually block effective operation and certainly reporting
2. Likely to become almost impossible to extract the required information
3. It is impossible to add precision, logic and structure to data where there is NO precision, logic or structure



# ... Brand name ERP recommended standard chart of accounts



<b>COST OF SALES</b>	
<b>MATERIAL EXPENSE</b>	<b>500000 - 509999</b>
500000	Raw Materials - consumed
500001	Raw Material - Wastage
500002	Raw Material – Wastage 2
500005	Raw Materials - Cost of Goods Sold
500010	Raw Materials - scrapped
500015	Raw material 2 consumption
500020	Finished Goods - consumed
500025	Finished Goods - Cost of Goods Sold
500030	Finished Goods - scrapped
500035	Inv. change - sale of own goods w/o cost element
500040	Packing Materials - consumed
500045	Packing Materials - Cost of Goods Sold
500050	Packing Materials - scrapped
500060	Inventory change-cost of goods sold w/o cost elem.
500080	Spare Parts - consumed
500085	Spare Parts - Cost of Goods Sold

# Analysis of findings at ... Consequences of data engineering issues



1. Posting inaccurate
2. Difficult to train new users
3. Engagement is poor
4. Inquiry and reporting cumbersome, clumsy and time consuming
5. Reporting and analysis is difficult
6. The information is there but very difficult to access

**NONE of these issues in any way reflects on ... the software product**

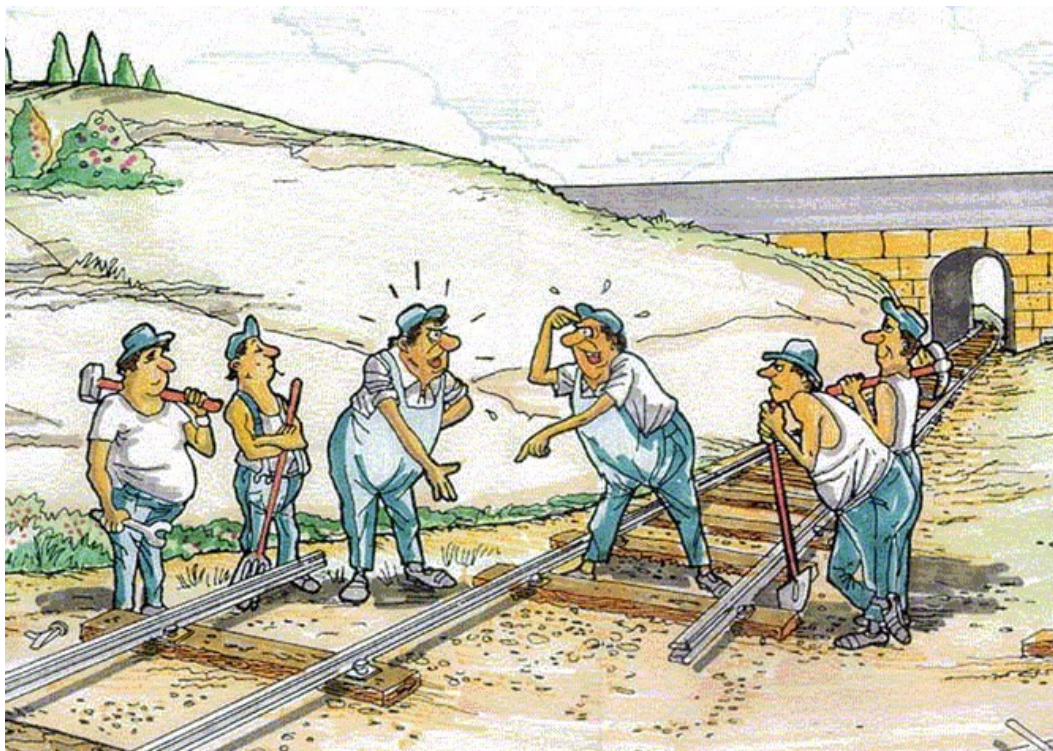


# Analysis of findings at ...

## The essential drivers of failure



1. Service provider
2. ... management



CoCd	Company name	City	Crcy
			USD
			USD
NZ01	Country Template NZ	New Zealand	NZD
NO01	Country Template NO	Norway	NOK
PE01	Country Template PE	Perú	PEN
PL01	Country Template PL	Poland	PLN
PT01	Country Template PT	Portugal	EUR
RU01	Country Template RU	Russia	RUB
			ZAR
			ZAR
KR01	Country Template KR	Seoul	KRW
SG01	Asia	Singapore	SGD
SK01	Country Template SK	Slovak Republic	SKK
ZA01	Country Template ZA	South Africa	ZAR
ES01	Country Template ES	Spain	EUR
SE01	Country Template SE	Sweden	SEK
CH01	Country Template CH	Switzerland	CHF
TW01	Country Template TW	Taipei	TWD
NL01	Country Template NL	The Netherlands	EUR
TR01	Country Template TR	Turkey	TRL
US01	Country Template US	U.S.A.	USD
UA01	Country Template UA	Ukraine	UAH
VE01	Country Template VE	Venezuela	VEB
0MB1	IS-B Mastersam. Deutschl.		EUR
0001	A.G.		EUR
SA			ZAR

# Raising the bar -- opportunities to create exceptional strategic value and therefore shareholder value

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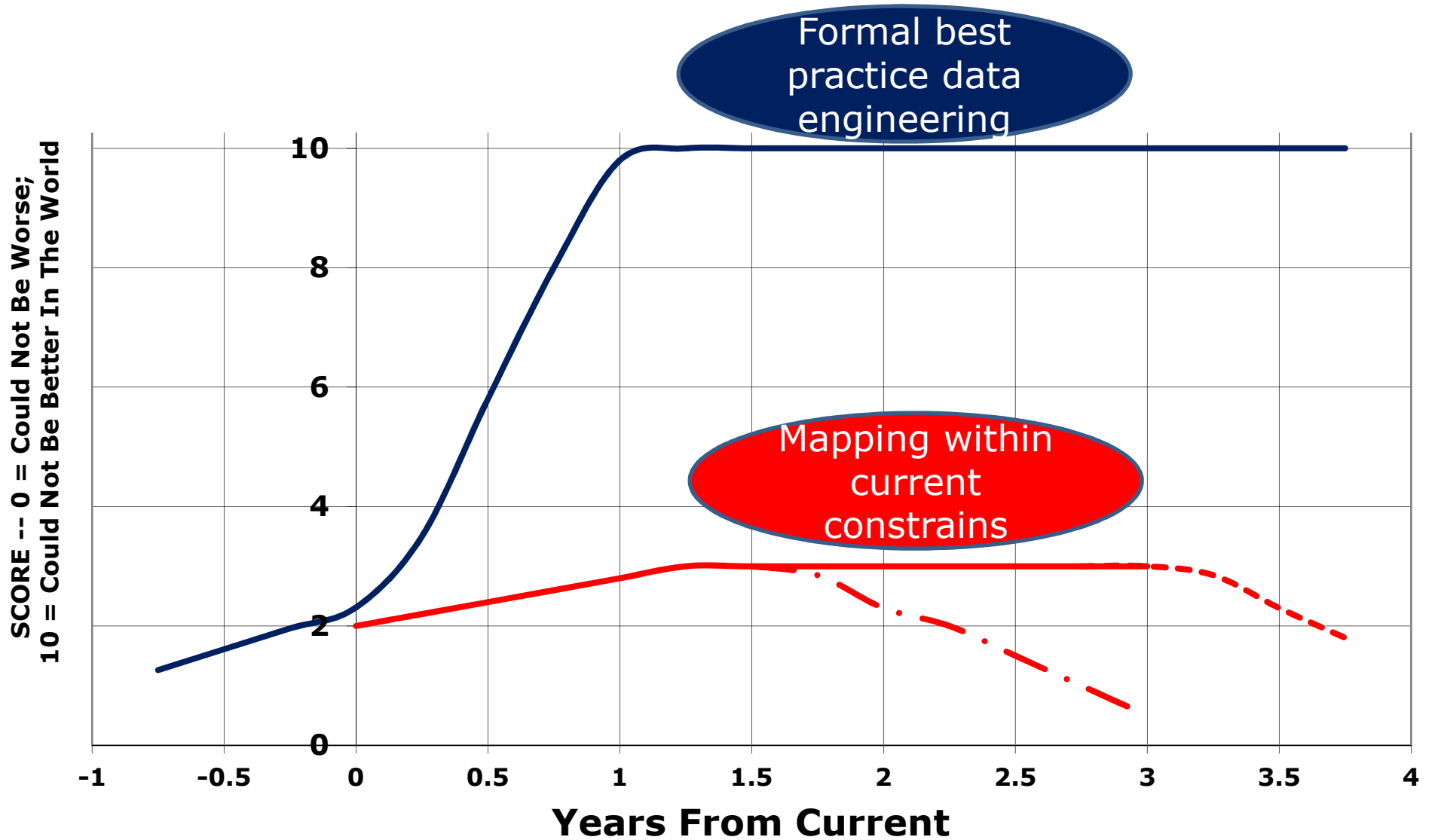
1. High value strategic and operational management information
2. Strategic costing model

## SPECIALIZED COMPONENTS

1. Shift and ... level planning and costing
2. Precision ... modelling
3. Optimization of worker knowledge and experience development
4. Optimization of efficiency of mobile plant
5. ...

**Some custom technology in some cases**

# Longevity of the scenarios



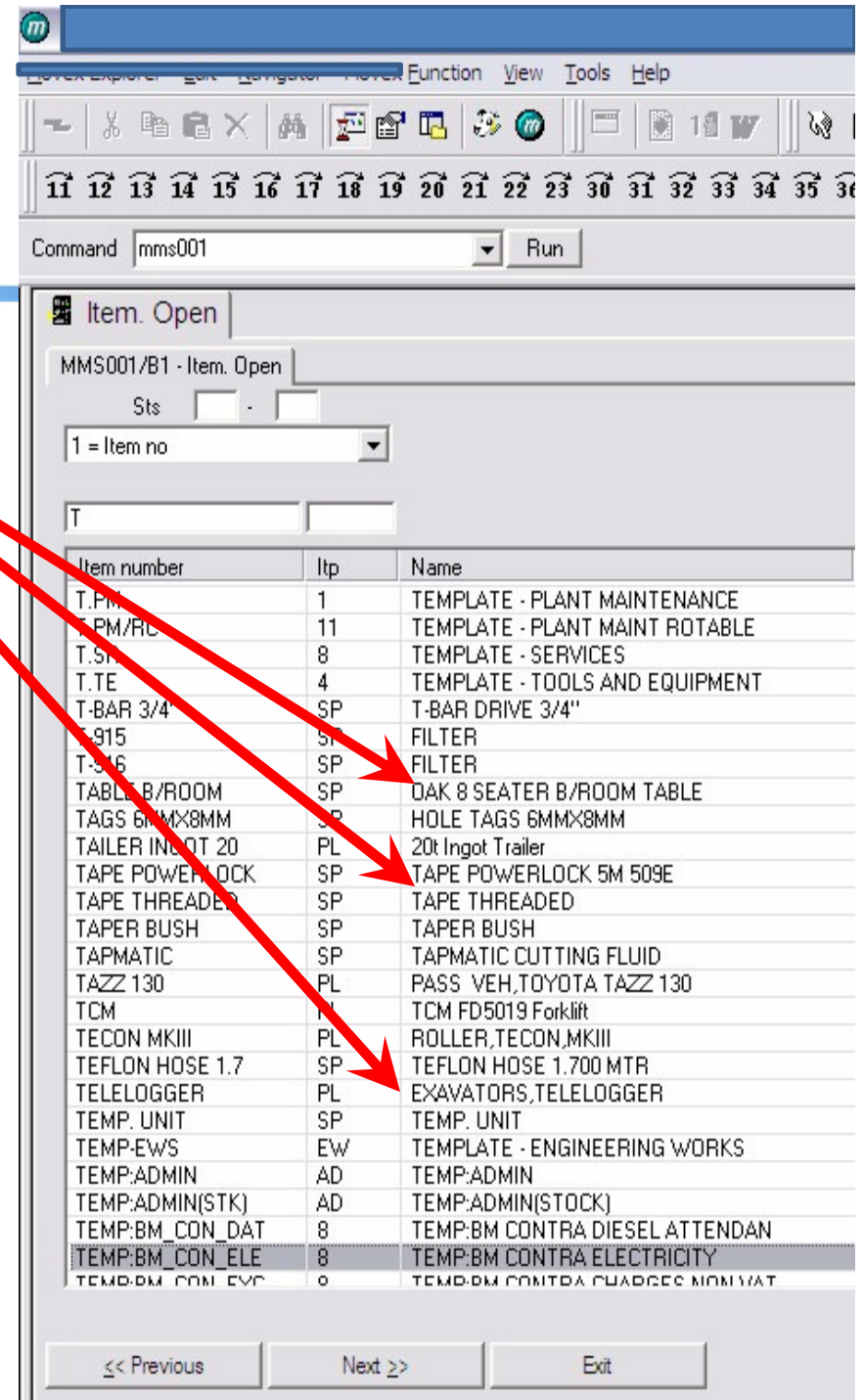
# ERP people who lie





# Current Issues with the ... Master

- Unstructured
- Lack of robust disciplined code management
- Different blocks of codes for different divisions
- Same item in more than one place
- Different categories should be in distinctly separate logical blocks



Command: mms001 Run

Item. Open

MMS001/B1 - Item. Open

Sts: [ ] - [ ]

1 = Item no

T

Item number	ltp	Name
T.PM	1	TEMPLATE - PLANT MAINTENANCE
T.PM/RL	11	TEMPLATE - PLANT MAINT ROTABLE
T.SP	8	TEMPLATE - SERVICES
T.TE	4	TEMPLATE - TOOLS AND EQUIPMENT
T-BAR 3/4"	SP	T-BAR DRIVE 3/4"
T-915	SP	FILTER
T-916	SP	FILTER
TABLE B/ROOM	SP	OAK 8 SEATER B/ROOM TABLE
TAGS 6MMX8MM	SP	HOLE TAGS 6MMX8MM
TAILER INLOT 20	PL	20t Ingot Trailer
TAPE POWERLOCK	SP	TAPE POWERLOCK 5M 509E
TAPE THREADED	SP	TAPE THREADED
TAPER BUSH	SP	TAPER BUSH
TAPMATIC	SP	TAPMATIC CUTTING FLUID
TAZZ 130	PL	PASS VEH,TOYOTA TAZZ 130
TCM	PL	TCM FD5019 Forklift
TECON MKIII	PL	ROLLER,TECON,MKIII
TEFLON HOSE 1.7	SP	TEFLON HOSE 1.700 MTR
TELELOGGER	PL	EXAVATORS,TELELOGGER
TEMP. UNIT	SP	TEMP. UNIT
TEMP-EWS	EW	TEMPLATE - ENGINEERING WORKS
TEMP:ADMIN	AD	TEMP:ADMIN
TEMP:ADMIN(STK)	AD	TEMP:ADMIN(STOCK)
TEMP:BM_CON_DAT	8	TEMP:BM CONTRA DIESEL ATTENDAN
TEMP:BM_CON_ELE	8	TEMP:BM CONTRA ELECTRICITY
TEMP:BM_CON_EVC	8	TEMP:BM CONTRA CHARGES MOMIYAT

<< Previous      Next >>      Exit

# Current Issues with the ... Master



- Equivalent descriptions different codes
- Warehouse codes embedded in item codes
- As many as twenty occurrences of the same physical
- Makes operation and reporting inaccurate and difficult

NQR500	TRUCK, ISUZU, NQR500
O/R H.HOSES EXT	OUTSIDE REPAIRS. HYD HOSES EXT
O/R H.HOSES INT	OUTSIDE REPAIRS. HYD HOSES INT
O/R WINDOWS EXT	OUTSIDE REPAIRS - WINDOWS EXT
O/R WINDOWS INT	OUTSIDE REPAIRS - WINDOWS INT
O/REP HYD HOSES	OUTSIDE REPAIRS - HYD HOSES
O/REP WINDOWS	OUTSIDE REPAIRS - WINDOWS
OIL MAROPA 320	MAROPA 320 OIL
OIL01	AUTO. TRANS. FLUID (ATF)DB
OIL01-R0303	AUTO. TRANS. FLUID (ATF)DB
OIL01-R0304	AUTO. TRANS. FLUID (ATF)DB
OIL01-R0305	AUTO. TRANS. FLUID (ATF)DB
OIL01-R0306	AUTO. TRANS. FLUID (ATF)DB
OIL01-R0307	AUTO. TRANS. FLUID (ATF)DB

# Current Issues with the ... Master



Multiple occurrences of the same physical entity with different codes

ITEM CODE	DESCRIPTION	ITEM CODE	DESCRIPTION
100004200002	TYRE LOCK RING SFETY 25'	17.5R25 XGC E3	TYRE MICHELIN 17.5R25 XGC E3
100004203007	TYRE MC18.00R25XHAD 2*	195/75R16C	TYRE MICHELIN 195/75R16C
100004203008	TYRE MC17.5R25XMD2 2*	22.5R25 YO TYRE	TYRE
100004203018	TYRE BS26.5R25VLTSE4	23.5X25 F/S	TYRE
100004203019	TYRE BS20.5R25VLTSE4	25.5R25 F/S	TYRE
100004203020	TYRE BS12.00R24M840	26.5R25 F/S	TYRE
100004203026	TYRE FS195R14 CV2000	26.5R25 GY	TYRE
100004203030	TYRE NOK20.5R25 L3 LODER GRIP	BS26.5R25VLTSE4	TYRE BRIDGESTONE BS26.5R25VLTSE4
100004203032	TYRE TOY26.5-25G25L520PR	MC20.5R25XADN1*	TYRE MICHELIN MC20.5R25XADN1*
100004203036	TYRE TOY20.5R25E3	MC23.5R25XADN1*	TYRE MICHELIN MC23.5R25XADN1*
100004203055	TYRE MC12.00R24XZY	MC23.5R25XMD22*	TYRE MICHELIN MC23.5R25XMD22*
100004203062	TYRE BS26.5-25L5	MC26.5R25XADN1*	TYRE MICHELIN MC26.5R25XADN1*
100004203063	TYRE DUN26.5-25L5	MC26.5R25XMD22*	TYRE MICHELIN MC26.5R25XMD22*
100004203065	TYRE MC18.00R25XKD	S:18.00R25	TYRE
100004203067	TYRE GENERAL 26.5-25L5 40PLY	S:22.5R25 YO TY	TYRE
100004203074	TYRE BS29.5R25VLT SZ	S:23.5X25 F/S	TYRE
100004203077	TYRE PRIMEX 23.5-25L5 SLICK	S:25.5R25 F/S	TYRE
103194203001	TYRE BF GOOD RICH 400/70R20	S:26.5R25 BS	TYRE BRIDGESTONE 26.5R25 VLT
801070704049	TYRE RING 325T	S:26.5R25 F/S	TYRE
801070704051	TYRE VALVE	S:26.5R25 GY	TYRE
801070704052	TYRE VALVE CORE	S:RI0008	TYRE MICHELIN 29.5R25 XADN
801070704053	TYRE HANLING FEE	SERVICE FEE	TYRE SERVICE FEE
1200R24 XZY E2	TYRE MICHELIN 1200R24 XZY E2	SPUD	TYRE SPUD

Very different codes for broadly identical physical entities – tyres – locate in entirely different locations in the table

# Consequences of these Issues with the ... Master



- 
1. Large number of other issues
  2. Posting inaccurate
  3. Difficult to train new users
  4. Inquiry and reporting cumbersome, clumsy and time consuming
  5. Duplications hinder and prevent reporting and analysis
  6. The information is there but very difficult to access

# Consequences of these Issues with the ... Master and other master files



- 
7. All of these issues relate to the data content
  8. NONE of these issues in any way reflects on ...
  9. If we loaded this same data into any other software we would have the same experience
  10. Varying degrees in other master files
  11. All coding to be overhauled as will be done for item master

# Fixing E.R.P. problems

## A general principle

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*"If you do what you have always done you will get what you always got"*

**Radical and effective NEW approach and action is called for**

# Questions?



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