A Strategic ERP Investment
African Sales Company Case Study

Dr James Robertson PrEng
James A Robertson and Associates

Paper together with Robert Priebatsch – CEO of ASCO and major shareholder
I.T. versus bridges
Engineers do NOT design bridges to stand up
Engineers design bridges NOT to fall down
Angus Struan Robertson
Experiencing failure
“19 out of 20 E.R.P. (business system) Implementations do NOT deliver what was promised”
"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."

Extreme failures

1. Seven years and half a billion dollars -- international chemicals company
2. $400 million -- multinational shoe corporation
3. Multinational entertainment giant -- $878 million
4. Major supermarket chain -- $195 million
vs Deleting a building
Business system failure can trash your business

“The next corporate disaster waiting to happen”

Professor Richard Nolan – Harvard University
There is a need for a new approach
What is NOT an engineering approach?
Factors causing IT failure

1. IT Mythology -- 30%
2. Lack of executive custody -- 25%
3. Poor strategic alignment -- 15%
4. Lack of an engineering approach -- 12%
5. Poor data engineering -- 10%
6. People issues -- 8%
7. Technology issues -- 5%
The value of technology is determined by the person using the technology.
Technology is only 5% of what causes failure

Software defects CAN be prevented
Take a stand
Implementation scenarios

Real Potential of ERP &...

Common View of “Best” Practice

The Opportunity

1. Where many are
2. Where the industry is
3. Where the technology can go
4. Where you can go
5. High quality design gives high quality outcomes at much lower overall lifetime operating cost
1. Distributing and marketing fragrances

2. Service excellence

3. Supplies major retailers

4. Represents major European fragrance manufacturers

5. Receipt in bulk, issue in singles to tight delivery windows

6. 40% of turnover between October and mid-December

7. Strong relationships

8. Brand managers

9. Ageing system and ageing developer – “we had no option but to change”
1. Between Syspro and SAP Business One
2. Opted for Syspro
3. Third party Warehouse Management System bolt on
4. WMS been replaced recently
5. Implementation commenced January 2007
6. Stalled
7. James Robertson brought in in October 2007 to do Pulse Measurement and then took on role of Project Leader to bring to live operation end of March 2008
8. Some major benefits and some costly and traumatic failures
The ASCO ERP Project

1. Strong engineering focus

2. Rigour

3. Laboratory testing but NOT all elements were tested due to time and budget constraints

4. Precision strategic configuration (data engineering)

5. Considerable emphasis on modelling the brand hierarchy in the Product Class and other attribute tables as well as the Chart of Accounts

Robert sums up the project as follows “the project required interesting logic, it was a compelling project, there was much to learn, and in time we will look back and say ‘it was a worthwhile experience, despite the stressful additional work load imposed under frustrating time deadlines’”
Greatest benefits

1. Downturn in the economy masked flaws and benefits

2. Major benefit was modelling of full “Advertising and Promotions” budget across numerous brand lines and expense headings using Syspro’s “Projects and Contracts” module accompanied by limited custom development

3. Accomplished through highly structured Product Class brand hierarchy taxonomy and a number of other custom taxonomies.

4. Brand costs are captured seamlessly from various sources.

5. An innovative use of the Projects and Contracts module

6. Also highly structured capture of product data
Custom code maintenance development for client specific taxonomy
Matching codes in unrelated modules provide logical integration

Getting the software to do what it supposedly cannot do
### A/R Sales Ledger Interface

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Expensive lessons

1. Failing to rigorously test the third party Warehouse Management System in a laboratory environment – fell over in a nearly catastrophic fashion after we went live and subsequently a problem with short shipments

2. Failing to rigorously test the third party Electronic Data Interchange module – also fell over in a nearly catastrophic fashion after go live
   1. Two retailers took three months to get working correctly
   2. In one case retailer was unable to receipt goods
   3. Largest retailer payments were rejected for ninety days

Robert says “In our business, if you cannot transact electronically with your customers you do not have a business and we were close to this for several weeks. Rigorous testing would have prevented this entirely.”
Expensive lessons

1. Core Syspro installation set up a laboratory and simulated most aspects of operations before go-live.

2. Now know the testing was not as rigorous as it should have been

3. The downturn in the economy masked the short shipments but “if the economy had been booming the software errors could have crippled us”

4. We did not test rigorously because of time and budget constraints

5. Also economized on time implementing the General Ledger Chart of Accounts and particularly on the GL integration with the result that financials were not reliable, there was difficulty auditing and in obtaining reliable financial reports

6. Robert – the biggest mistake was a lack of rigour -- “everything you pass up you WILL regret”.
GL integration problems

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1. “The Highly structured product taxonomy product class linking to Projects and Contracts for Advertising and Promotion has given us a powerful strategic resource for conducting our brand management activities and has put us in position to give excellent financial reporting to our suppliers.”

2. “Rigour in most of our classifications (taxonomies) has given us exceptional flexibility and ease of analysis and reporting in many areas. Areas where we did not apply this rigour, such as in debtors, are now a source of regret.”

3. “Small things like rigour and discipline with regard to data capture standards, capitalization, spelling, etc. From the start we stressed high quality data and that is what we have, our invoices are neat and presentable and our reports do not require cosmetic surgery.”

4. “Replacing the warehouse management system at this stage appears to be a great win.”
5. “We have developed a disciplined culture in which we do not take short cuts. People understand the impact of their actions on other parts of the business”
Things we did right – Project Leader view

1. Degree of executive custody
2. High engagement by the CEO
3. Taxonomies are a major factor
4. Laboratory
5. Strategic focus – the essence of the business
6. Top down approach
What I would do differently --

CEO

1. MORE RIGOUR – “everything you bypass you will regret”

2. Research and test all third party products thoroughly

3. Comprehensive and rigorous laboratory testing using real data

4. Greater rigour with regard to operational processes

5. Comprehensive taxonomies on ALL modules including Debtors and Creditors

6. Much more effort into reporting and analytics
   
   1. We are now appointing a senior analyst to do this
   
   2. We have a mountain of information we are not using to full potential
What I would do differently – Project Leader

1. Advocate comprehensive laboratory testing much more strongly

2. Higher level of involvement in all the areas where we economized on my time

3. Stay engaged for the first year after go-live

4. Guide the realization of the full potential of the taxonomies in the analytics

5. Ensure comprehensive auditing of the installation before go-live – no mispostings and no missing configuration entries
Would we do it again?

1. “YES, in time we will look back and say that was worthwhile and career enhancing” (Robert)

2. “Yes, barring some rough patches it was one of the most positive project experiences of my career, the level of CEO involvement was a highlight of my career” (James)
If you do not act within 48 hours you probably never will – act TODAY! ☺☺ ☺☺
Design your IT solutions like bridges ... NOT to fall down!
Questions?

Thank You