

ERP Failure #3: Actual Case – International Manufacturer Sues Tier-1 Systems Integrator *Transcript* – © 2015-2016 by Warren S. Reid All Rights Reserved

YouTube Link: <https://youtu.be/dSu47WBDOLs>

The System and the Parties

Hi, I'm Warren Reid. Today I'm going to talk to you about a real case to show you what does happen. The Customer, an international chemicals manufacturer, was looking to replace 20-year-old U.S. legacy system with a robust ERP system to be used internationally at its disparate operations.

They selected a top-notch Tier 1 Systems Integrator who promised expertise in that industry and had their own tailored ERP solution reportedly implemented at over 100 similar customers. The Integrator promised project accelerators and hands-on prototypes to guide the customer through the development process to reduce the total effort by 30%.

The Complaint

When the Go-Live failed, the Customer took the Systems Integrator to Arbitration claiming breach of contract.

The Analyses, Strategies, and Opinions

Let's take a closer look at some of the things that went wrong.

- 1. *Project Planning and Management:*** SI never developed or managed to an achievable work plan. Their estimates were lowballed to get the job. They tried to meet Stage Gates by short-cutting work-steps and deliverables (just promote the project to the next stage gate), They had a "Fix it later mentality" which never took place, thus delivering a low-quality system that would be excessively expensive to maintain. The promised accelerators never materialized.
- 2. *Staffing, Knowledge & Experience:*** SI did not provide promised leadership or experienced manager replacements necessary to deliver a suitable system. Integrator gave bad advice and allowed wrong ERP design alternatives to be implemented including:
 - a. base unit of measure (choosing pounds over kilograms for an international company.)
 - b. wrongly configured RF Guns did not work for Warehouse Management.
open orders in the legacy system being brought over as new, causing shipments and purchases to be duplicated or made late.
- 3. *Particularly Bad Testing***
 - a. SI promoted systems to next level without passing exit criteria. Product Tests 1 and 2 were combined into one test.
 - b. UAT was cancelled all together. (Going Live blindly).
 - c. SI did not create appropriate testing scenarios/cases there were too few negative tests, little End2End testing, and missed positive tests.
 - d. Systems Tests did not have enough converted data to meet the test objectives.
- 4. *Insufficient, Inappropriate Training and Learning:***
 - a. SI's training materials were wrong, incomplete, delivered late, without E2E process training, nor how to address error messages.
- 5. *Lack of Fair and Honest Communications***
 - a. Integrator's status reporting and promised Quality Assurance Reviews were misleading, inactionable, "rosier than actual."

- b. In the end, the integrator's project profitability concerns overrode its promise to create a suitable Enterprise System, and they failed to honestly advise Customer that the project was not ready for Go-Live.

The Opinions and Verdict

I testified to each of the five areas and findings above. The system post Go-Live was plagued with problems because of these failures, making it worse than the old system it was replacing. The system was unstable up until the day the contract was suspended. This failure was predictable.

I testified that a new Go-Live date is not possible without studying the quality, reusability, and maintainability of the deliverables. I also testified: based on the actions, wrong actions and inactions of the SI, the failed deployment was foreseeable, predictable, and triggered by the Integrator.

The judge agreed with my opinions, and the attorney's well-presented closing arguments, and ruled in favor of the Customer.

We are here to help. More information about WSR Consulting Group, LLC, is available at <http://wsrcg.com>

Questions or comments?

Please reach out to WSR Consulting Group, LLC:

By phone: 818-986-8842 or

E-mail Warren S. Reid at wsreid@wsrcg.com