Limitation and Complexity of ERP System failure in an Organization: A case study

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ABSTRACT

ERP systems are around since Nineteen Nineties. Many organisations across the globe have deployed ERP systems since then. An ERP system may be a terribly complicated system and its deployment involves the complete organisation. However, not all ERP projects that start measure finished with success. During this article, we analyse a failing ERP project during a tiny organisation within the capital region of Asian nation. We tend to use crucial success factors (CSFs) that are known in literature for analysis. The CSFs that contributed to the failure clad to be- poor project management, lack of management support, ineffective external consultant, ineffective vendor’s team and wrong package selection.

I. INTRODUCTION

In today’s dynamic and turbulent business atmosphere, there is a powerful want for organisations to become globally competitive. The survival guide to fight is to be closer to the client and deliver added product and services within the shortest potential time. This, in turn, demands integration of the business processes of an enterprise, which is the defence of ERP. Enterprise Resource coming up with (ERP), may be a package driven business management system that integrates all sides of the business. Organisations of all sizes, small, medium and enormous square measure creating an endeavor to integrate their businesses by deploying ERP systems. We'll concentrate on small and medium enterprises (SMEs).

Finding out SMEs is important as a result of in several countries SMEs square measure major contributors to the economy. Several countries have a separate ministry for SMEs, we've a ministry for small, Small and Medium Enterprises that has according thirteen million to be the number of SMEs in Asian nation. However, there's no universal definition of SMEs and totally different|completely different} countries have different definitions of SMEs (refer to Table I). There square measure near two hundred ERP vendors, majority of that work with SMEs. ERP deployments don’t seem to be continuously prosperous [1]. Researchers have studied ERP comes and have known factors that contribute to the success of an ERP project cited as critical success factors (CSF) [2].

The target is to review an ERP project of alittle company within the urban center region of India. Allow us to decision this company RetailS. Their ERP project completely failing and it had to be abandoned. RetailS started the project in Gregorian calendar month 2009 and eventually abandoned it in early 2010. The company followed all the steps however the project didn’t succeed.

II. CRUCIAL SUCCESS FACTORS

Many ERP comes fail and there square measure near forty reasons listed within the literature for failure of an ERP project [3] for SMEs. Varied crucial success factors (CSFs) are identified within the literature. The most range of CSFs identified for SMEs square measure ninety four that are place in fifteen classes [4] that we'll use. We tend to enumerate crucial success factors (CSF) that are known for SMEs by researchers for different developing countries in Table II. The CSFs have also been stratified however we've not enclosed the ranks within the tables. We tend to don’t think about ranks to be vital as a result of it’s been shown that CSFs don’t seem to be freelance [5]. For example, Top management support has a control on project communication that has a control on cooperation at totally different levels. Effective education and coaching influence cooperation from the tip users. If the management is supportive, the project communication improves.

III. DETAILS OF THE CORPORATE AND REASONS FOR IMPLEMENTING ERP

RetailS was fashioned in 1995. The corporate primarily retails gold-bearing packaging material. It additionally deals in some food products. The turnover of company is concerning ten million USD and the company has but thirty workers. RetailS contains a CMD, a pair of managing administrators, a sales division, a purchase department and a finance &amp; accounting department. The management consists of the CMD and therefore the 2 managing administrators. All 3 of them will create every day decisions however the policy selections can not be taken while not the consent of the CMD. Purchase and sales division have approximately ten persons every. Finance department consists of 2 full time
workers and one half time advisor World Health Organization visits as and once needed. The turnover of the corporate is 30,000 USD per person per month. This figure indicates the efficiency of the corporate.

None of the fabric that RetailS deals in is factory-made by the corporate. The merchandise that RetailS deals in square measure terribly complicated and therefore the parameters associated with a a product square measure simply too several. A salesperson takes orders from a client then gets the material from a provider directly shipped to the client. This seemingly straightforward method involves several steps and multiple outcomes for every step. The simplified method is shown in Figure 1. The sales man takes orders from a client and then gets the fabric from a provider directly shipped to the buyer. allow us to explore this method stepwise. 1) the salesperson of RetailS might approach a possible client and raise him his necessities.

There square measure four possibilities:  □ the trouble to contact might fail attributable to modification up-to-date details. □ The potential client might not have any necessities. □ The potential client might raise the sales man to contact later. □ If there's a demand, he might provide him his approximate necessities in terms of merchandise, price, quantity and timeline. In case of 1a, the salesperson would record his effort in his log book and create another commit to get the modified contact information, just in case of 1b, the salesperson would record his effort in his log book. The recording serves 2 purpose, oneno other sales person ought to contact them; two- tells the management concerning the activities of the staff. In case of 1c, the salesperson would love to record the decision and a reminder to himself to contact once more. A mechanism is needed to remind the sales person to contact the party once more.

In case of 1d, he would love to record the main points of the potential client along with necessities and travel to step range 2. 2) All 5 components— things, quantity, price, delivery date- of the order, payment terms got to be restrained. 3) The sales person once getting all needed data, records them, creates a quote and (e) mails to the potential client. At present, RetailS has paper files for each client containing all communications. 4) The sales person is predicted to create follow up calls to the potential client and convert him into a client. When the sales person contacts a possible client again, any of the four key parts of the order might get modified together with things, price, amount or delivery date. The sales man might got to do another iteration of steps three and four before really receiving a order. 5) the fabric is shipped on to the client through a shipping agency. The shipping agency is additionally contacted and area on the shipping vessel is reserved by the salesman. The terms and conditions also are negotiated by the salesperson. 6) All material is insured before transporting. 7) As before long as a possible order is seeable, the acquisition team has to become active. The interaction of the acquisition team with with potential vendors is comparable to the interaction of sales team with potential customers. We would not detail the acquisition method any.

When we started reproof the CMD of RetailS, he voiced many of his issues and his reasons for desirous to deploy an ERP system. we tend to mention his issues next. • costs and their validity: Since the management team consists of solely 3 folks and that they square measure multi-tasking, it is not uncommon for them to forget to update the worth list. • scale back Errors: There square measure multiple parameters associated with a product that RetailS deals in. A mistake or omission of 1 of the parameters might end in delay, cancellation or rejection of the complete order. • Follow up: RetailS has to oftentimes follow up with their customers, vendors and shipping agents. A customer is contacted multiple times throughout the method of a buying deal that additionally needs workers to contact the vendors multiple times additionally. a problem that management faces here is that the remaining sales team might not comprehend the decision and others might also decision constant potential client leading to possible annoyance. • Trade Secret: RetailS should defend worth data from their existing competition and from the potential competition which will even increase from inside RetailS. The information ought to be offered [in a]among [an exceedingly]in a terribly] very selective manner to the workers. • Reports: The management needs the organisational reports in real time in desired format. RetailS started craving for AN integrated resolution and referred to it as ERP. we tend to describe their efforts within the next section.

IV. ERP IMPLEMENTATION AT RETAILS

A high level team consisting of CMD, one managing director ANd an external advisor was fashioned. The activities that were undertaken square measure as follows. Budget and Time Line: the information collected from varied sources indicates that AN ERP implementation prices around a hundred and twenty fifth of the turnover of the corporate. For RetailS, this figure turns out to be government agency. 50,000.00. As mentioned earlier, RetailS may be a very economical company ANd this figure is much too high for an ERP implementation. Also, RetailS is pleased with a proprietary package that they use for his or her monetary accounting and didn’t wish to incorporate monetary accounting in the ERP system. They needed to maneuver during a phased manner. RetailS expected the complete project to require concerning vi months including necessities gathering and documentation, customisation by the seller of his product, readying and testing and knowledge migration.

Vendor Selection: The advisor started craving for a vendor ANd an ERP resolution. once disbursal a couple of month using all potential channels, 2 corporations were thought-about, both were situated in NCR region. RetailS team set to
work with- allow us to decision this company- KN and its CMD- adult male. Tiwari (not his real name). His team members were on the subject of average or below average. Mr. Tiwari showed his product that they delivered to a different consumer. His claim was that he can quickly adapt the prevailing system to suit necessities of RetailS. Once a pair of conferences, the terms and conditions of the contract were finalised and a time line for varied phases that were in accordance to the schedule RetailS had in mind. Everything got formalised and a contract between RetailS and KN was signed. The language quantity was paid to KN right away. The team consisted of the following: • CMD, RetailS: Champion and Business method Owner • Consultant: Interface between KN and RetailS • Mr. Tiwari: Champion from KN • Mr. Abhishek + a pair of others: Project Manager + Developers + Tester The work started by KN’s team collection necessities. During the conferences, the team appear to be taking notes however eventually it had been discovered that the data didn’t get collated properly. Once few conferences, it became clear that the team isn’t equipped with the talent set needed. After a amount of just about ten months and large quantity of effort, the team had created no progress. the merchandise showed ab initio didn’t work the wants in the least. Throughout these ten months, availability of KN’s team and CMD, RetailS weren’t as much as was needed by the project. The advisor over-trusted KN and didn’t rigorously match the initial product that KN claimed to virtually for RetailS. The advisor additionally didn’t visit the company’s workplace and no ascertain with KN’s purchasers was done. Once ten months, the consulted briefed CMD, RetailS World Health Organization then referred to as adult male. Tiwari and his team for a discussion. Once the discussion, Mr. Tiwari brought in another person, names Nimesh (not his real name) into the project and removed everybody else from the project. Nimesh quickly picked up the threads and began developing a product from the scratch.

V. ANALYSIS OF THE PROJECT

The ERP resolution for RetailS ne'er got deployed. The evaluation is completed with the target of learning from the mistakes and be able to enhance the probabilities of success next time around. The Table II. Lists known factors crucial to an ERP implementation success meet all phases of the project together with go-live and maintenance. The factors that apply to usage is omitted as RetailS ne'er need to that phases. The factors- Education and coaching, Data Management, modification Management and User Involvement are not relevant. The atmosphere and Organization Characteristics were substantive of the project. The remaining eight factors were out of management and therefore the deciding factors as we tend to discuss next. A. ERP Project Management and Project observance Project management includes among several different things a focus of project progress and constant chase of schedules and budgets against targets [8]. Just in case of RetailS, the project schedule unbroken slithering and therefore the team from RetailS wasn't able to management or bring the project back on schedule. The consultant was additionally ineffective to select early signs of the problems as there was no formal observance of the project. B. prime Management Support The support from the management is needed at multiple levels. The project should be aligned with the business strategy of the organisation. A modification within the mental attitude is needed that involves heap of learning by the management additionally [9], [18]-[19]. Just in case of RetailS, the management was reluctant to learn the language of ERP. CMD didn’t wish to validate the processes that were documented. The management wanted the vendor’s team and therefore the advisor to pay attention to them. In case of SMEs, key selections square measure measure created by prime management. For AN ERP project, prompt selections square measure needed [20]. But due to multitasking by the management, their accessibility was also a serious issue. C. ability of the Project Team The vendor’s team should be knowledgeable and cooperative [9]. This demand is additional pronounced just in case of SMEs [20]-[21]. The boys power that's offered to SMEs to handle their it's usually inadequately trained and their data is very superficial. Just in case of KN, the vendor's team wasn't knowledgeable and therefore the team members unbroken dynamical. There availability was additionally a problem. Later on, the cooperation between RetailS and therefore the merchandiser shriveled below acceptable limits. D. ERP System, correct Package choice and package Development An ERP system is taken into account correct if it fits organisational knowledge and processes requiring little or no customisation [22]. Wrong package choice has been identified as a high risk is case of SMEs [21]. As explained earlier, just in case of RetailS, the seller claimed a detailed work of his ERP system with RetailS. Neither the advisor nor the RetailS team went into the main points to verify vendors claim. The ERP resolution was simply not applicable and needed major changes. A study in China has established that a SME is also able to realize concerning hour of work and no more than that. What RetailS practiced isn’t stunning. The advisor not being attentive to the unusual person is that the stunning half. E. Implementation Strategy The use of advisor is an element of the implementation strategy [4]. Consultant’s role during an ERP project in a tiny organisation is extremely vital attributable to lean internal expertise [23]. The advisor is needed to possess technical expertise additionally as data of the business. The consultant plays a crucial role in ERP package choice, implementation partner choice and managing the project. In [24], a state of affairs has been known wherever tiny enterprises go for supplier/consultant driven ERP implementation. The management treats ERP implementation as AN IT exercise and this has been cited as a reason for failure. In case of RetailS, IT department
and experience failed to exist and therefore the organisation had no alternative however prefer supplier/consultant driven implementation. The responsibility of entire project was on the advisor. The advisor had the technical knowledge however lacked expertise in handling ERP comes. The advisor wasn’t able to management the project evidently. The slippage within the schedule, unusual person with the package selected and an excessive amount of customisation were the issues that the consultant didn’t see in time to be able to bring back the project on target.

VI. CONCLUSION

A small organisation doesn’t have resources to adequately address all the CSFs [25]. a technique for implementing ERP for SMEs has been developed [12], [26]-[27]. RetailS could have followed an analogous methodology to reinforce chances of success of its ERP project.

REFERENCES