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Biggest ERP Failures of 2010

– Chris Kanaracus, IDG News Service

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No year in the IT industry would be complete without a number of high-profile ERP (enterprise resource planning) project failures, ones that burn through mountains of cash, bring company operations to a standstill, generate bad publicity for vendors and toss careers in the trash.

There's no one reason why ERP projects run off the rails. In fact, you can equate a typical project to a three-legged stool, with the customer, vendor and systems integrator each serving as a leg.

Customers have to plan well, budget enough money for training and evolve their usual way of working. Vendors must deliver software that functions properly and matches up well with a customer's business processes. And implementation teams have to set the right expectations, meet project milestones and avoid waste.

If one or more of these "legs" doesn't hold up, things can get ugly.

Michael Kringsman, president and CEO of Asuret, a consulting firm focused on helping companies improve the outcome of IT projects, prefers to use the more ominous metaphor of "the Devil's Triangle" to describe the dynamics in play.

And he sees no immediate end to troubled projects. "There is no magic bullet. The magic bullet is to change human nature, to make us wise and all-seeing," he said.

But Kringsman sees "bright lights on the horizon," such as the gradual emergence of cloud-based ERP, which can take the complexity out of upgrades for customers, as well as packaged services offerings, where the job gets a fixed price tag instead of being billed by the hour. In addition, such services are often based on well-established processes that have worked for many other customers, Kringsman said.

"Where the gotcha comes in is when you're working with a fixed-price agreement and you ask them to do something different," Kringsman added. Then the job might revert to a standard, by-the-hour billing arrangement that can ratchet up costs. "That's why the customer has to exercise a greater level of discipline," he said.

All vendors want their customers to be successful, but they can do more to improve project outcomes, according to Kringsman. One way would be to tie part of a salesperson's compensation to project success. This way, a salesperson won't be able to simply disappear after the ink dries, and moreover, they might be less inclined to upsell a customer on marginally beneficial extras that could make the project unwieldy.

Someday, the bright lights Kringsman sees in the distance could be shining broadly over the IT industry. In the meantime, we have the status quo, where [one study](#) found that nearly 70 percent of the time, project success is "improbable."

Here's a look at some of the top ERP project boondoggles, flameouts and failures of the year -- and



these are just the ones that entered public view.

New York's CityTime 'disaster'

CityTime, an effort by New York City to modernize its payroll system, is more of an ERP "project failure of the decade" and then some, as it dates to 1998. But in recent weeks allegations of massive corruption and waste regarding the project have come to a boil.

It was originally budgeted at around US\$60 million, but has since ballooned to a colossal \$700 million-plus, the New York Daily News reported recently.

New York Mayor Michael Bloomberg has called the project a "disaster." This week, federal authorities charged a number of workers on the project with being the ringleaders of a fraud scheme that siphoned some \$80 million from taxpayers, [reports said](#).

On Thursday, New York Comptroller John Liu suspended Joel Bondy, executive director of the city's office of payroll administration, and [stopped all payments to consulting firm Spherion until a thorough review has been conducted](#).

New York officials simply did not understand just how complex the project would end up being, Bloomberg said in a [radio interview Friday](#). "Once they started, part of it was they just kept adding things that it made sense to do," he said.

But he stressed that the city still needs the system "desperately," and it is saving money for agencies that are using it. The project is on track for completion by June, he added.

BSkyB ([BSY](#)) gets £318 million settlement from Hewlett-Packard/EDS ([HPQ](#))

While the [£318 million settlement broadcaster BSkyB received in June](#) from Hewlett-Packard was technically for a CRM (customer relationship management) implementation, not ERP, the award still stands to make a serious impact on the outsourcing business.

A court found that HP's EDS division had lied about how long it would take to finish the project, which was started in 2000 and originally budgeted at £48 million. BSkyB fired EDS in 2002 and completed the job itself, but costs ultimately quintupled.

Some believe the massive verdict will give systems integrators and salespeople pause from here on out when making promises at the contract negotiating table.

Marin County's "rip and replace"

If there is a worst way for an ERP project to end, it's with a "rip-and-replace," and that's what officials in Marin County, California, [decided to do in August](#).

Officials decided that it would be less expensive to simply replace its ailing SAP system with something else, instead of trying to fix widespread problems with it.

Marin County [sued system integrator Deloitte Consulting](#) in connection with the system earlier this year, saying Deloitte used the project as "a trial-and-error training ground" for inexperienced employees, and the result was a "costly computer system far worse than the legacy systems it was intended to replace."

Deloitte has denied the county's claims.

Marin County determined that maintaining the system at "status quo" would cost up US\$34.7 million over 10 years. Fixing it and "supporting continual improvement" by bringing on more workers would cost \$49.8 million. Addressing the problems and keeping the system in place would run up a \$34.1 million tab.

In contrast, starting over with something new would cost just \$26.2 million over the same 10-year period, according to the county.

An SAP spokesman stressed at the time that the company's software is not to blame in Marin County, and is "installed and functioning perfectly in tens of thousands of public sector agencies, including dozens in California."

SAP settles with Waste Management

One of the ugliest ERP project legal battles in memory came to an end in May, when SAP [reached a settlement with trash hauler Waste Management](#).

Waste Management originally sued SAP for fraud in March 2008 over an allegedly failed implementation of its ERP (enterprise resource planning) software. The company claimed it suffered significant damages, including more than US\$100 million it spent on the project, as well as more than \$350 million for benefits it would have gained if the software had worked as intended.

SAP made a one-time cash payment to Waste Management under the confidential settlement's terms.

The saga's quiet end bore little resemblance to the colorful fray that played out in pre-trial proceedings.

Waste Management claimed SAP used a "fake" product demonstration to trick it into believing its software was a good fit.

In addition, SAP's technical team had "recommended that SAP deliver to Waste Management a later version of the software than the version SAP in fact delivered," according to one filing.

If the newer version had been used instead, "the multi-million dollar sales price for the software could not be immediately recognized as revenue under the accounting rules for revenue recognition," and salespeople involved in the deal would not receive bonuses, according to the filing.

In its defense, SAP said Waste Management didn't "timely and accurately define its business requirements" or provide "sufficient, knowledgeable, decision-empowered users and managers" to the implementation.

Lumber Liquidators blames ERP for bad quarter

In November, Lumber Liquidators [blamed a weak third quarter](#) on issues with its SAP implementation, saying the project significantly dampened worker productivity. But the problems were caused by employees having trouble figuring out the new system, rather than the software itself, according to the company.

"One feature of our previous system is that it was very flexible and easy to manipulate," CEO Jeffrey Griffiths said at the time. "SAP is much more structured, you follow steps, but it's much more stable. Because of that it was a change for us," he said.

Before buying into SAP, Lumber Liquidators had some clunky manual processes, even running some operations off spreadsheets, he said. With SAP, "we're confident that we're going to see significant improvements and benefits."

Jury awards pet food maker \$61 million in ERP lawsuit

In December, [an Alabama jury awarded pet food manufacturer Sunshine Mills \\$61 million](#) in connection with a suit it had filed against ERP vendor Ross Systems, a subsidiary of CDC Software.

Ross Systems is planning to fight the verdict, saying Sunshine "knowingly purchased a beta version of the software" and that its claims were "subject to various limitations contained in the agreement between the parties."

Ross Systems president Sherri Rodriguez called the verdict "a sad day for the software industry."

But Daniel McDowell one of the attorneys who represented Sunshine Mills, said Ross Systems fooled the company, showing software that supposedly would work out of the box, but which failed miserably once it was turned on, McDowell said.

In an internal e-mail, a Ross employee labeled Sunshine workers "clueless fools" who were unable to learn how to use the system, McDowell added.

Honorable mentions:

PeopleSoft pegged for Fort Worth police pay problems

Police in Fort Worth, Texas are hopping mad, saying problems with a recently implemented Oracle PeopleSoft payroll system has been botching their paychecks, leaving them shortchanged or even without a pay at all.

"It is unacceptable that some officers have failed to receive a check, [and] that so many more have not

been fully paid since going online 8 wks ago," the Fort Worth Police Officers Association said in a Dec. 12 posting on its [official Facebook page](#). "We will continue to fight & try to find a way to FORCE the city to do the right thing."

The system wasn't set up to handle the odd hours and shifts police officers work, a union official [told the Fort Worth Star-Telegram newspaper](#).

The city blamed human error for the problems, according to the paper.

There's that 'human error' again

News emerged in November that San Diego has been forced to [delay a city budget audit for six months due to data issues in its SAP payroll system](#).

The long-troubled project is running well over budget, and San Diego previously fired its original consulting firm in order to ink a deal with SAP's services arm, which is finishing the work.

"There were many timecard entry errors introduced by our employees (i.e time being charged to one account when it should have been charged to another account) when the new payroll system went live [in January]," a city official said in a memo at the time.

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