Group 3

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The Good and the Bad ERP Implementation

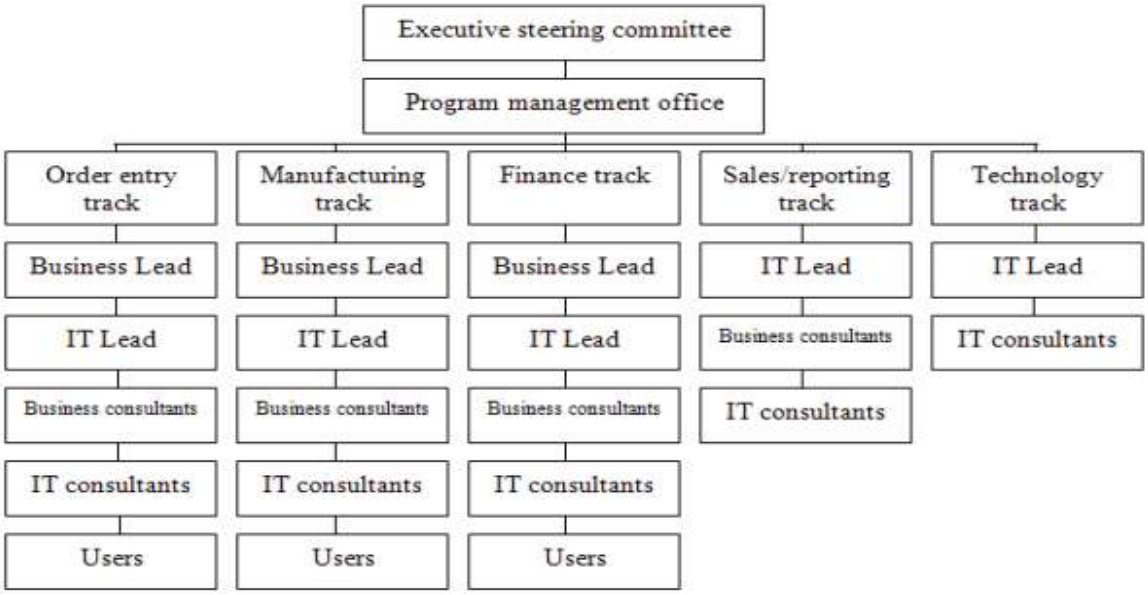
ERP is quickly becoming the best business management software that any company trying to improve practices to acquire. However, since it has so many benefits, there's often a catch; not every company can implement it perfectly. Many ERP implementation projects don't go as planned, with some taking many years longer than expected to complete or going over budget by a large margin. Often times there isn't even a problem with the project team implementing the software, but the existing employees are resistant in adopting it. However, the payoff when a company successfully implements ERP is immense. Cisco was one of the companies with great payoffs. Waste Management on the other hand, was not so lucky for several reasons.

Cisco is the worldwide leader in networking for internet. It provides internet protocol based (IP) networking suite solutions. Cisco solutions are in most corporate, education and government networks worldwide. The company was founded in 1984 by a group of computer scientists from Stanford University. It subsequently went public in 1990. Cisco provides the broadest line of solutions for transporting data, voice and video within buildings, across campuses or around the world. Their primary products are "routers" and "switches."

Back in 1993, Cisco was worth $500 million, however it was running on Unix which is a legacy-based software package. Pete Solvik, CIO of the company wanted to change. He stated that “We wanted to grow to a $5 Billion-plus company. We were not able to make changes to the application to meet our business needs anymore. The application had become too customized. The software vendor did offer an upgrade but we even after the upgrades it would still be a package for $300 million companies and we’re a $1 billion-dollar company.” (Austin et Al., 2002).

In January 1994, their legacy-based system failed, and the company was shut down for two days. This was the catalyst that led Cisco to look for a new system. With the help of KPMG, they shopped around to find the perfect fit for their company. Cisco eventually decided on using Oracle, since they were able to offer good manufacturing capability, a promise of quality, and also a level of flexibility that other software developers couldn’t offer (Austin et Al., 2002). Once Oracle was picked, Cisco had to work on implementing it. Since ERP implementation is a company-wide initiative, they needed a solid team to insure everything was moving smoothly throughout the project. They divided their business practices into five tracks, and then split up the project teams based on what track they fit into, as you can see below.

Cisco ERP Implementation Team Structure



Cisco's main method of implementation was to use 'rapid iterative prototyping' (Datta, 2005). This gave Cisco's employees a chance to not only learn the system and test everyday practices on it. Since they were rolling it out in stages also, they found out problems in early steps that could be fixed before they became large problems. For example, in their earliest stage (CRP0), they found out that their goal of not modifying the ERP software wasn't feasible (Austin et al., 2002). After 4 total stages (CRP0 – CRP3), Oracle was finally ready to be rolled out at Cisco. However, there were unforeseen difficulties.

Once Oracle was rolled out, Cisco's business performance dropped significantly. The most challenging part was having the system crash about once a day. Not only did this cost Cisco an extreme amount of money, it went on for about 2 months. At this point, the ERP system was priority number 1, and eventually it was fixed with some help. Cisco's vendors were able to work together with Cisco in order to stabilize the system. With this help, Cisco's ERP project was successfully implemented in the right schedule (9 months), and within the budget (Austin et al., 2002).

Waste Management wasn't so lucky. There are many ways to go about implementing an ERP system in general it is a long and expensive process, Waste Management found this out the hard way. Thirteen years ago (2005) Waste Management was looking for a way to run their business more effectively. They decided that implementing an ERP system was the best way to do so. One of their biggest concerns when shopping for the software was making sure it was close to what they needed right from the beginning. The reason being they wanted to get the system up and running quickly. Which can be clearly be seen from "Waste Management wanted an ERP package that could meet its business requirements without large amounts of custom development,". (Kanaracus, 2010) Eventually they decided to go with SAP as their vendor for the system. During the sales process SAP had demonstrated their trash and recycling system to Waste Management. Unfortunately for Waste Management the implementation got off on the wrong foot almost right away. SAP promised a pilot version of the software by December 15th of 2006 but according to Waste Management it was nowhere near ready at that date. The issues just kept coming for Waste Management and they soon found out that the software SAP was selling was not even developed at all.

Waste Management was so fed up with their failed attempt at an ERP system that they decided to file a lawsuit in 2008 arguing that "top SAP executives participated in fraudulent sales schemes that resulted in a failed ERP implementation". Waste Management wanted to recover more than 100 million dollars in project expenses as well as the savings and benefits that the SAP software was supposed to provide the company. Waste Management claimed that top executives and SAP Americas president and CEO Bill McDermott participated in rigged and manipulated demos that lured Waste Management into believing they had created an elite waste and recycling product that was tested numerous times. Waste Management also claimed that

SAP promised them that the software would be fully implemented throughout the company within 18 months of its initial arrival date without any customization or enhancement problems.

Clearly SAP was lying to Waste Management because Waste Management ran into numerous issues that resulted in a wasted ERP implementation attempt. More evidence that leads to the wrong doing of SAP is when the case was taken to court and SAP voluntarily paid Waste Management an undisclosed amount of money in order to avoid further repercussions for their actions. With all the evidence leading to SAP in the wrong, was there still a way that Waste Management could have avoided this disaster?

After looking at these issues we are left with a host of questions. To start where was Waste Management's plan? If a detailed plan had been established, they could have avoided much pain. This would work by setting their own metrics and requirements. Another question that comes to mind is why Waste Management did not ask who else used the software when SAP said it was proven. Simply asking this question would have reviled that the software was not fully developed yet. Yet another question is why was Waste Management so desperate to implement ERP? The trash removal market does not have many players in the market and none of the major ones had ERP yet, so Waste Management could have easily waited to implement until a more proven system was available.

At the end of the day it is clear that Waste Management did not do the necessary planning to implement an ERP system. As discussed earlier there are many key questions Waste Management could have asked that would allow them to have a success full implementation.

Implementing an ERP is a huge task for any company regardless of if they have 50 million in revenue or 50 billion in revenue. Cisco is an excellent example of a success story

when it comes to ERP implementation. Despite not beginning the implementation on the best note they were able to stay focused and succeed at end of the day. Waste Management had a completely different experience with implementing an ERP system. Arguably Waste Management was on the right track when they decided to move forward with the implementation however it all went sideways. Due to their lack of planning as well as their shortcomings with their research the implementation failed horribly. The end of Wastes Managements story can be found in the court documents from the 100 million dollar suit they filed against SAP. Ultimately there is no one path to guarantee success when implementing an ERP system but if you are careful, do your research and take your time there is a good chance the project will succeed.

Works Cited

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