Evaluation of the erp project which border states industries started in 1998 (wit...

Business, Management

The ERP project in its initial phase from 1998 had many problems. While most of these problems are not uncommon for first time software implementation, they still took away from the company's efficiency and bottom line. The bright side, however, will always be that BSE learned from their mistakes as all good corporations and people do.

For example, the cost was initially budgeted to be $6 million to get the software up and running, while in fact when all was said and done it wound up costing $9 million. And the initial launching of the new system was supposed to take place on November 1 of 1998 when in actuality it did not take place until February 1 of 1999. The finished version of the product was so different than the roll out that the expert users had to be trained twice in order to fully take into account all the changes that took place in the software before initial implementation. Again, once these initial hurdles were surmounted the software performed for a full five years, and the management learned a great deal about sticking to budgets and deadlines during the implementation step of the process, so over the long term the project was successful in scope and quality despite its shortcomings in time and cost.

CRITICAL SUCCESS FACTORS

The critical success factors for these projects are similar to those of all large corporate software implementation projects for multinational design companies. Teamwork, vertical and horizontal communication, solid goals and planning, quality control, and realistic expectations could all make the difference between success and failure in this projects.

MANAGEMENT, ORGANIZATIONAL, AND TECHNOLOGICAL LESSONS

Management learned the difficult lessons regarding what must be taken into consideration during the forecasting and planning phases. As day to day operations suffered due to managerial input on software back in 98/99 there was the lesson of focus that could only be considered and learned from after the fact.

Organizationally the metrics kept regarding transaction processing time, turnaround, and number of claims per year all told the stories on what parts of the old system were worth salvaging, those that could be kept after modification, and those that could be replaced with a superior if somewhat different product. Standardization and company-wide consistency regarding data management and storage became the protocol at Border States. The vast increase of online activity was also taken into consideration and the second phase of the software implementation was tailored accordingly.

Technologically the most important lesson was to resist the urge to over-customize in order to replicate an outdated system specifically for the purpose of maintaining familiarity. This huge lesson also applies very much to the management and organizational categories, but it is primarily a technological one because the solution is using the best practices that are already available in the as-is version of the software as purchased from SAP.

While many of these lessons have a degree of overlap, the lesson to steer clear of excessive customization provides solution that go all the way back to the goal setting phase of the development. Forecasted budgets and timelines can be adhered to much more effectively if all suggested inputs by users are collected before planning begins. Full understanding of the scope and quality of best practices inherent in the software helped with this immensely.

STRATEGIC VALUES AND KEY PERFORMANCE INDICATORS

Strategic value includes concepts that provide a competitive advantage through pricing, cost, and product or market differentiation. ERP brings strategic value to an organization when data integration provides more opportunities for the organization to expand in terms of business. Organizations wishing to expand cannot use the old technologies if quality improvement is a necessity. ERP is significant in initiating innovation, change management, and performance management in an organization. The application of ERP is deemed beneficial mostly when the returns from the implementation overshadow the costs. Poor innovation techniques may be costly. BSE incurred a high cost when customizing the first SAP project. Cost amounted to $3 million dollars and to some extent, it was unnecessary. Implementation of and importance of information technology was one of the values that was derived from the two ERP projects. Further the implementation of the ERP BSE to be more customer-oriented and able to expand their markets. This was enabled though the development of an e-commerce storefront. Certain customers were able to use BSE’s online credit card processing and special pricing agreements. Further, the implementation of the ERP allowed BSE to provide quality services to their clients. The implementation of the ERP projects also created a significant strategic value of innovation. BSE decided to customize the SAP ERP software to perform some of the activities that were being performed by their Rigel system. Additionally, the customization allowed BSE to comply with the tax requirements of the various states and municipalities.

Key Performance Indicators