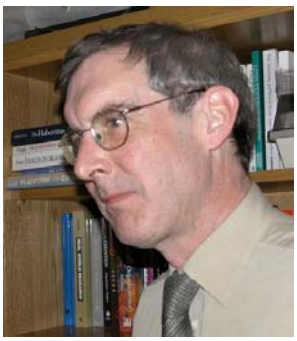
Syncresis

Your old ERP system – still in love after all these years

ERP systems: winning by staying put



I hate the way the term "legacy system" is used these days. It now carries the implication that a system which uses old technology is necessarily unfit for purpose.

In three mid-range companies I've talked to recently, the main operational backbone is an old technology ERP system – mostly character-based interfaces, although they do at least have a decent database structure underneath. One of the companies is evaluating possible major upgrades and replacements. The other two are working quite happily with what they have got.

Building on the core

The first point to note is that both stay-put companies have invested significantly beyond the base system, to fill business-specific gaps. One has done this mainly through custom code – a highly-specific enhancement to the scheduling application, an internal e-commerce module, and other applications which integrate the group of companies. The other, who implemented the system badly first time around in some areas, has re-implemented them, and filled the gaps with best-of-breed standard packages. The ERP system in both cases is well and truly out of support from the original vendor.

Perceptions and real needs

An interesting point came up at the company which is planning the major replacement. Quite a few people regarded the non-graphical interface as an issue. When I probed, it turned out that this was a question of image. People felt that the out-of-date appearance put off potential employees, and customers to a lesser extent. It was highly productive – thanks to a few tweaks – and easy to learn. It is unlikely that any replacement system will be as productive straight out of the box.

Nevertheless, this company probably does need to change. Over the years, it has evolved a labyrinthine structure of bolt-ons and interfaces. They have reached the point where any enhancement is very complex to do, and would often threaten the stability of the rest. The business has evolved, and there are now big functional gaps, plus a cloud of unconnected, inefficient lash-ups around the main core.

The impact of change

What does a major replacement project like this mean?

- Lots of money.
- A distraction from the strategic objectives of the company, for an extended period.
- Considerable uncertainty and risk – projects of this type don't have a great success rate. It is almost impossible to fully understand the gaps and issues with a new ERP system during a normal decision cycle.
- Freeing up some of your best people for an extended period – nearly always a serious headache.

The other companies freed up a great deal of resource and management attention for other purposes by staying put.

Choosing the right path

These aren't the only examples I could mention. The commonest elements in staying put successfully seem to be:

- Start with a comprehensive appraisal of **how you want your business processes to operate in the future**, based on your competitive posture and the changing environment. All the companies mentioned have a well-reasoned and clearly-articulated marketing and operations strategy, which obviously helps.
- Make sure you **understand what your current systems CAN do** – this knowledge is often lost. There will often be areas where apparent limitations may be a result of evolved practice rather lack of function.
- Do a **gap analysis** (obviously) – what is missing that stops us getting to where we want to be? This should not just cover systems: think about knowledge, skills, attitudes, structure and physical facilities as well. Avoid treating IT as the only solution to process deficiencies.
- A point of detail: go after the **business-critical spreadsheets**. Excel has its place, but it is often a menace outside its proper domain. Spreadsheets are often labour-intensive, vulnerable to mal-operation, and dependent on a few people's heads. Business-critical spreadsheets, unless they are very simple, are strong candidates for doing something better.
- In your critical areas, develop an understanding of what **current best-of-breed packages** can do – few mid-range companies will have this. Common candidates include demand management / forecasting, planning / scheduling, and CRM.
- Understand the **interfacing capabilities** and limitations of the current system. Interfaces between an old ERP and some kinds of add-on systems can get quite complicated, and it is easy to be scared off. However, even an old ERP system often has sockets which can greatly simplify development, although these may not be well-known or well-documented. One of my examples managed this for a shop-floor data capture application, thereby reducing development and testing effort by an estimated 90%.
- Make sure you have got some kind of **change governance** in place, preferably extending to non-systems-based initiatives as well. A common problem with incremental improvement is that it spawns more initiatives than people can keep momentum on concurrently.

At this point, the company will be in a far better position to judge if it can increase its competitiveness while staying with its current systems.

Taking the idea seriously

It can take a degree of management toughness to evaluate staying put. To be blunt, even unsatisfactory ERP projects look good on CV's. Also many managers frequently see glowing claims for glossy modern software, and find it hard to believe that something less glamorous could do what is needed. People can be reluctant to investigate the option fairly.

But the potential rewards are great. True, there are a few recent ideas in operations management which can be difficult to support with an old ERP system, but they are not critical to many businesses. Systems like BPCS, Baan or PRMS were very sound applications in the right business, and they still provide the core of what is needed.

However compelling the apparent case for major change, it surely cannot be right to commit to it without evaluating the incremental option properly.

Stephen Scott, December 2007

