Why do ERP projects fail so often?

At its simplest level, ERP is a set of best practices for performing the various duties in the departments of your company, including in finance, manufacturing and the warehouse. To get the most from the software, you have to get people inside your company to adopt the work methods outlined in the software. If the people in the different departments that will use ERP don't agree that the work methods embedded in the software are better than the ones they currently use, they will resist using the software or will want IT to change the software to match the ways they currently do things. This is where ERP projects break down. Customizations make the software more unstable and harder to maintain when it finally does come to life. The horror stories you hear in the press about ERP can usually be traced to the changes the company made in the core ERP software to fit its own work methods. Because ERP covers so much of what a business does, a failure in the software can bring a company to a halt, literally.

But IT can fix the bugs pretty quickly in most cases, and besides, few big companies can avoid customizing ERP in some fashion—every business is different and is bound to have unique work methods that a vendor cannot account for when developing its software. The mistake companies make is assuming that changing people's habits will be easier than customizing the software. It's not. Getting people inside your company to use the software to improve the ways they do their jobs is by far the harder challenge. If your company is resistant to change, then your ERP project is more likely to fail.

How do I configure ERP software?

Even if a company installs ERP software for the so-called right reasons and everyone can agree on the optimal definition of a customer, the inherent difficulties of implementing something as complex as ERP is like, well almost inconceivable. The packages are built from database tables, thousands of them, that IS programmers and end users must set to match their business processes; each table has a decision "switch" that leads the software down one decision path or another. By presenting only one way for the company to do each task—say, run the payroll or close the books—a company's individual operating units and far-flung divisions are integrated under one system. But figuring out precisely how to set all the switches in the tables requires a deep understanding of the existing processes being used to operate the business. As the table settings are decided, these business processes are reengineered, ERP's way. Most ERP systems are preconfigured for most of the major processes, however, allowing just hundreds—rather than thousands—of procedural settings to be made by the customer.