WHITE PAPER

ERP Bloat

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complexity made simple

Some of you may find this white paper offensive. It discusses why many ERP software installations have become so bloated that the software that was originally purchased to make the organization more efficient is now hindering these same organizations ability to become or remain nimble, to be responsive and ultimately increase the ability to compete effectively. The scary part is that this bloat is routinely accepted as the ERP standard operating procedure and deemed an unavoidable part of an ERP implementation. The goal of this white paper is to debunk that myth and offer some practical advice for people that would like to de-bloat-i-fy their ERP systems. If you are part of the bloat and therefore satisfied with said bloat, read no further. If you are interested in gaining true efficiencies for your company from your ERP software now and in the future, read on.

So lets start where we should always start, with first principles. What exactly is bloat? According to people smarter than me, the word bloat originated around the year 1300 and was initially an adjective meaning "soft, flabby". By the year 1700, the word had evolved to mean "puffed up, swollen" and was generally a medical term. Sometime in the 20th century, computers and software had swelled to the alarming point where the term "software bloat" came into common use. Software bloat was used to describe situations where the size and complexity of software systems actually reduced the efficiency of the organizations.

True ERP Bloat didn't really start to enter the equation until the early 1990s. At that time, ERP software producers were looking to increase revenues by selling larger systems and many consulting firms were looking for more ways to generate fees around ERP systems. The combining of forces of the software companies and the consultants created an axis of evil, which allowed these two groups to sell bloat on a massive scale. By selling ERP software systems that were highly complex and required large teams of consultants and IT staff, the axis of evil was suddenly able to generate revenues and fees that were unimaginable only a few years prior. This insidious relationship removed any desire for the software producers to create systems that were easier to implement and maintain. Similarly, the consultants had no incentive to find, recommend or push for development of systems that actually made things easier, doing so would only reduce their consulting fees.

Now that we have defined and identified the origins of ERP Bloat, how do we eliminate this bloat? The first step in eliminating ERP Bloat is to agree that it is not a foregone conclusion. Once you accept that ERP Bloat is a problem that can be solved, you should no longer accept solutions that perpetuate the problem. This can be challenging if you are a non-technical person discussing this subject with a technical person. You will need the same stubbornness and resolve that your mother may have criticized you for, but is probably the reason why you are sitting in a C-level chair today. Along with your resolve, you will need some strong arguments to overcome the bloat purveyors, so here are a few key points which might help you:

- **ERP is a business function, not an IT function.** Making ERP an IT centric function is one of the most fundamental errors made in the ERP selection and management process. The IT department can and should have input on the ERP process, but ERP is fundamentally a business tool. It needs to be evaluated and implemented to solve specific business problems and to allow for rapid change over time. Too many companies allow ERP to become purely an IT project that can become extremely expensive and complex when the IT staff is ramped up (bloated) to feed the needs of the beast. If you currently have a large IT staff supporting your ERP software or buying a new ERP system is going to increase your IT staff, it is probably time to ask why and to look for alternatives.

- **The consultants who help you select ERP software should NEVER help you implement it**. Like the axis of evil discussed earlier, when consultants are part of the selection team and also the implementation team, they have a disincentive to find the simplest solution. Consultants can be helpful in guiding you through the selection process, but their fees for the selection process can pale in comparison to the fees they can charge for creating ERP Bloat. Few consultants can resist the lure of getting involved in a hopelessly complex project that will generate large-scale fees for years to come. If you need a consultant, hire one just for the selection process and, if needed, a different consultant for the implementation.

- **Ask for a fixed price implementation bid.** Now wait for the laughter to stop. Most consultants and ERP producers have taken a page out of construction company's playbooks by submitting "estimates" of the hours that the ERP implementation is going to take. All too often these "estimates" are exceeded by enormous amounts. The costs for these overruns are generally the sole responsibility of the customer. Much like in the construction industry, many ERP providers and consultants make their money by submitting low-ball "estimates" to get the work and then reaping a bonanza off the change orders and overrides. If your provider is not willing to provide a fixed price implementation bid you have to question their incentive to finish the project on a timely and cost controlled basis.

- **What is the remedy for a functionality gap in the ERP software?** There is a 100% chance that during the ERP implementation you are going to encounter issues that were not considered or were not fully

vetted during the selection process. Many of the issues addressed by ERP software are quite complex. Even though a particular issue was addressed during the selection process, there will likely be nuances to the issue that are not handled completely by the software. In order to create true process control, you must bat a thousand and completely resolve each shortcoming within the base software. To the extent you cannot bat a thousand you may be forced into a customization, Excel workaround or manual process. Each of these solutions carry an inherent cost that is likely beyond the scope of what was initially anticipated. This situation becomes one of the greatest Bloat creators in the process. If the proposed vendor's remedy for system shortfalls is customization, Excel, or manual processes, it is highly likely you will radically exceed your budget or not get the process control you had desired from the ERP software.

- **How many systems are bolted together?** The magic answer to this question is one, but that is all too frequently not the answer. Bolting together multiple systems is vendor's way of serving lots of different industries with the same base software package. The bolt-ons attempt to address the unique needs of different industries and get synched back to the main system. ERP software does lots of different things, but in all cases there is an "ERP fence". The "ERP fence" is the logical boundary of what should be handled by ERP software and what is acceptable to be done by a separate system. The boundary for this fence should be process control. Anything that directly impacts the process control of the business is inside the fence. Things that do not impact process control can be outside the fence or in a separate system. Functionality that is often bolted-on but should not be includes Warehouse Management Systems (WMS), Customer Relationship Management (CRM), Material Requirements Planning (MRP) and Master Production Schedule (MPS). If your proposed solution is going to have bolt-ons in any of these areas you should be very nervous that you are going to become the poster child for ERP Bloat.

- **How are software updates going to impact your total cost of ownership? How will this slow down your company's evolution?** ERP Bloat inevitably leads to software that is expensive to update and slow to adapt. Today's business world is changing and evolving at an ever-increasing rate. In order to keep up with this rate of change you need to be able to frequently update your ERP software. The cost for these updates needs to be very small. Bolting together lots of systems, heavily customizing your systems or simply living with an extremely complex software system will make it extremely challenging to easily update your software. Outdated ERP software will make it increasingly difficult for you to serve the needs of your customers rapidly changing demands. If you are going outside your ERP software to handle the daily requirements of your business, you are likely the victim of ERP Bloat.

If you have read this far, you hopefully are not offended and you are probably living with ERP Bloat and want to find a cure. Hopefully this white paper can help you spark some vigorous debates within your organization. Remember not to accept the status quo as an answer. It is not easy, but it is possible to remove ERP Bloat. Be skeptical of those in your debate who will profit from ERP Bloat and ask all involved what they are specifically going to do to reduce the ERP Bloat problem. If the 1990s ushered in the era where ERP Bloat became accepted, perhaps with your help, we are now ready for the era where the evil of ERP Bloat is recognized and starts to be eliminated.

ABOUT DEACOM

Deacom, Inc is a producer of ERP software. Deacom was founded in a basement in 1995 with the idea that, over time, the complex issues of ERP software could be made simpler by constantly questioning every aspect of the software design and consistently selecting the simpler path. Today, Deacom has a large staff of professionals working from offices in Wayne, PA and Denver, CO.

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