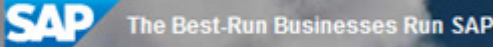Bridgestone Sues IBM For $600 Million Over Allegedly 'Defective' System That Plunged The Company Into 'Chaos'

SAP The Best-Run Businesses Run SAP

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ERP project failure is at epidemic proportions

Labour's computer blunders cost £26bn

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SAP System Issue Blamed for Delayed San Diego Audit

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most organizations are *not* making better decisions now than they did five years ago. The pressure from

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What are YOU going to do?

ng Wait for Spare

SUPERIOR COURT OF CALIFORNIA
County of Marin
P.O. Box 4988
San Rafael, CA 94913-4988

CASE NO. CIV1002

PLAINTIFF County of Marin

DEFENDANT Deloitte Consulting LLP

NOTICE OF CASE MANAGEMENT CONF (CIVIL)

This case is subject to the Trial Court Delay Reduction Act, Government Code § 68600 et seq., and Civil Rules of the Uniform Local Rules of the Marin County Superior Court (hereafter MCSC Civil Rules).

Pursuant to California Rules of Court 3.734, this case is assigned to Judge Ritchie
Department E . This assignment is for all purposes.

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SAP: Clueless Consultants From Accenture And IBM Giving Us A Bad Name (SAP)

ERP Implementation Success: Odds Are Stack Against You

Business Systems Failure is Rife -- Reference Documents

By Dr James A Robertson PrEng

This article presents a catalogue of failed and sub-optimal business information systems projects and related articles to assist readers to understand the scale of the problem and why the methods presented on this website are so critical in terms of formulating an approach to preventing failure and achieving successful high value project outcomes.

Separate articles will be prepared with regard to examination of individual cases, this document is purely a catalogue.

In reviewing these articles please contrast the substantial number of disastrous failures with the bridge failure below, a failure so unusual that it made headline news around the world within minutes of the event – because we simply do NOT expect engineered structures to fail – hence the engineering approach for business information system, IT and ERP projects that is advocated on this website

Bridgestone versus IBM – US$600 Million Court Action

http://www.businessinsider.com/bridgestone-sues-ibm-for-600m-2013-11

Tire company Bridgestone has slapped IBM with a huge lawsuit over a custom-built computer system that performed so poorly, it threw Bridgestone's "entire business operation into chaos," the suit alleges, as reported by the Tennessean.

The system cost over $75 million and went live in January, 2012. It immediately experienced "system-wide failures" for three months, Bridgestone alleges:

"Tires which should have been delivered to fill customer orders … piled up in distribution centers, smaller warehouses, and trailers parked in parking lots. Ultimately, [Bridgestone] was forced to lease an enormous amount [of] public warehouse space at great expense."

The complaint also says:

"IBM's defective system lost or deleted scheduled customer orders, would not process orders, duplicated, or partially processed orders and, for those limited orders that were processed, did not complete critical corresponding business applications."

Bridgestone IBM lawsuit redacted complaint

http://www.scribd.com/doc/185845048/Bridgestone-IBM-lawsuit-redacted-complaint

Bridgestone IBM lawsuit redacted complaint

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

BRIDGESTONE AMERICAS, INC.,

Plaintiff,

vs.

INTERNATIONAL BUSINESS MACHINES
CORPORATION,

Defendant.

Civil Docket No._____

JURY DEMANDED

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System That Plunged The Company Into 'Chaos'**. Julie Bort. Nov. 19, 2013 ...

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System That Plunged The Company Into 'Chaos'**. Submitted by l33tdawg on ...

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Pennsylvania Kills An IBM Contract That's 3 Years Late And $60 Million Over Budget

http://www.businessinsider.com/pennsylvania-kills-ibm-project-2013-8

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Pennsylvania Kills An IBM Contract That's 3 Years Late And $60 Million Over Budget

JULIE BORT
AUG. 3, 2013, 10:01 AM   11,948   22

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The state of Pennsylvania is killing a contract with IBM because, as of July, the project was $60 million over budget and a whopping 42 months behind schedule, state officials said.
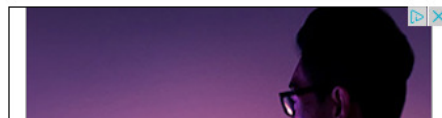
That's three and a half years late.

Chris Kanaracus at IDG's News Service broke the news.

In 2006, Pennsylvania signed a $106.9 million contract with IBM to be completed in 2009.

It was, by any measure, a huge and complex project. It was to give the state a new computer system to track employee wages,

IBM CEO Ginni Rometty

AP

Labor & Industry Releases Unemployment Compensation Modernization System Study

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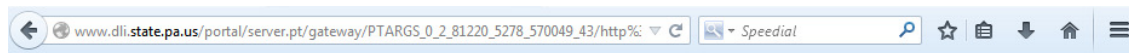
News for Immediate Release

July 31, 2013

Labor & Industry Releases Unemployment Compensation Modernization System Study

Harrisburg - Department of Labor & Industry Secretary Julia Hearthway today released the results of an independent study of the IBM computer system, known as the Unemployment Compensation Modernization System (UCMS), designed to calculate and provide unemployment compensation benefit payments in Pennsylvania

The study, conducted by Carnegie Mellon University's Software Engineering Institute to determine the best course of action moving forward, was commissioned by L&I in August 2012 and submitted earlier this month.

The study analyzes the UCMS program in three key areas as outlined by IBM's original contract: case management and wage records; employer tax; and claims processing, payments and appeals.

"The issues outlined in the study detail the challenges the department had to examine in order to determine whether moving forward with IBM is in the best interest of the citizens of the state," Hearthway said.

"The bottom line is that the problems we've identified cannot be solved and we will not renew our contract with IBM," Hearthway added. "The level of risk, combined with the critical nature of the system, demands that the Department of Labor & Industry has a system that produces timely decisions reliably and accurately."

As of this month, the project is 42 months behind schedule and more than $60 million over budget.

"It is simply unacceptable for the computer system that serves the state's unemployed to be unreliable," Hearthway said. "It has to work and it has to work efficiently."

The UCMS program development contract was awarded in June 2006 to IBM, during the previous administration, to provide updated technology for the delivery of unemployment compensation benefits.

Between 2007 and early 2011, a number of program risks and issues were identified; however, the project was already significantly over budget without any measurable solutions.

Shortly after Hearthway took office in April 2011, Labor & Industry began to aggressively manage the system and work with IBM to take corrective actions. Labor & Industry continued to be dissatisfied with the pace and quality of the program development.

The study is available at dli.state.pa.us under Publications, "Carnegie Mellon University SEI Study of UCMS."

Media Contact: Sara Goulet 717-787-7530

Labor & Industry Releases Unemployment Compensation Modernization System Study

http://www.infoworld.com/d/the-industry-standard/state-dumping-ibm-after-it-project-runs-42-months-late-60-million-over-budget-223947

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AUGUST 02, 2013

State dumping IBM after IT project runs 42 months late, $60 million over budget

A Pennsylvania state-commissioned study finds blame on both sides, however

By Chris Kanaracus | IDG News Service

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The state of Pennsylvania will not renew its services contract with IBM regarding the development of a modernized unemployment compensation system, after the project reportedly has gone 42 months behind schedule and $60 million over budget.

In August, state officials commissioned a study from Carnegie Mellon University's Software Engineering Institute, seeking "to determine the best course of action moving forward," according to a statement released this week by Department of Labor and Industry Secretary Julia Hearthway's office.

[Also on InfoWorld: 12 "best practices" IT should avoid at all costs. | Cut to the key news for technology development and IT management with our once-a-day summary of the top tech happenings. Subscribe to the InfoWorld Daily newsletter.]

"The bottom line is that the problems we've identified cannot be solved and we will not renew our contract with IBM," Hearthway said in the statement. "The level of risk, combined with the critical nature of the system, demands that the Department of Labor & Industry has a system that produces timely decisions reliably and accurately."

IBM landed the contract in June 2006. The project was originally budgeted at $106.9 million but the state has so far "dedicated funds approaching $170M," according to the Carnegie Mellon study.

By early 2011, "a number of program risks and issues were identified" but the project had already experienced significant cost overruns "without any measurable solutions," Hearthway's office said.

"We are surprised by today's announcement," IBM spokesman Scott Cook said via email Thursday. "This decision is based on a third-party report that we had not seen at the time of the

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BMW Owners Vent Anger at Months-Long Wait for Spare Parts

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BMW Owners Vent Anger at Months-Long Wait for Spare Parts

By Angela Maier | Aug 28, 2013 4:45 PM GMT | **27 Comments** ✉ **Email** 🖶 **Print**

South African Neels Kilian was as proud as any BMW owner could be when he got his new 3-Series in May. After getting into an accident a few weeks later and still waiting today for repairs, he's reconsidering that sentiment.

The resident of Gauteng, South Africa, needs a rear fender replaced before the car is drivable again. In the meantime, he's still making a monthly payment of 8,000 rand ($770) and has to bear additional costs for work travel because he hasn't been offered a loaner.

Photographer: Graham Crouch/Bloomberg

The Bayerische Motoren Werke AG (BMW) on a BMW 320d vehicle at the Deutsche Motoren BMW... **Read More**

"This is shocking!" Kilian wrote in an e-mail. "It is impossible to repair my vehicle; why is BMW unable to issue a warning to customers when buying this brand?"

Kilian is among customers across the globe angered by **Bayerische Motoren Werke AG (BMW)**'s failure to promptly deliver spare parts to fix their vehicles. BMW, the world's biggest maker of luxury cars, has struggled since the beginning

more BMW's image as a high-end automaker is tarnished.

"The logistics problem is comprehensible, but three months is too long," said **Juergen Pieper**, a Bankhaus Metzler analyst in Frankfurt. "Damage has certainly occurred. I see a hit to their reputation and a financial burden of tens of millions."

The logistics project -- named ATLAS for Advanced parTs Logistics in After Sales -- was started in Dingolfing in 2009, according to a joint press release at the time from **International Business Machines Corp. (IBM)** and **SAP AG. (SAP)**

IBM, which was the main contractor, said last week that it's no longer involved in setting up the program. SAP is supplying the software for the warehouse management system, the Walldorf, Germany-based company said. BMW declined to comment on its suppliers.

"BMW Owners Vent Anger at Months-Long Wait for Spare Parts"

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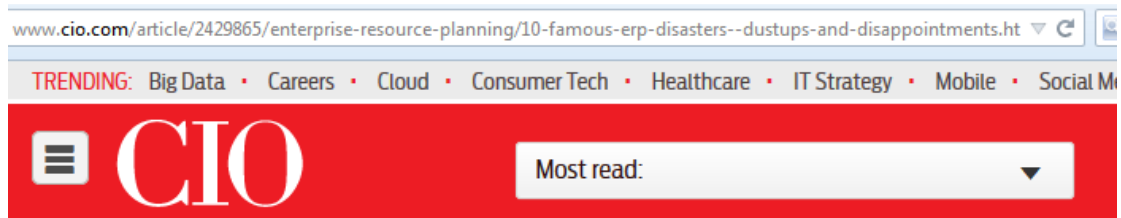
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10 Famous ERP Disasters, Dustups and Disappointments

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FEATURE

10 Famous ERP Disasters, Dustups and Disappointments

It's no wonder ERP has such a bad reputation: The recent history surrounding the complex and expensive enterprise software market is packed with tales of vendor mud-slinging, outrageous hype and epic failures.

By Thomas Wailgum | Follow

CIO | Mar 24, 2009 8:00 AM PT

The world of enterprise applications (ERP, CRM, BI and supply chain apps) may seem boring to those caught up in the hysteria over Twitter and iPhone applications, but there's plenty of drama to be found (even more than on an episode of "The Bachelor"): Troubled multimillion-dollar software deals that produce spectacular failures and huge spending nightmares; vendor marketing bravado that breeds cut-throat competition and contempt; and embarrassing and costly lawsuits over botched implementations and intellectual property breaches.

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Want to Save $10 Million or More on ERP? Don't Buy Oracle or SAP

It's no wonder ERP has such a bad reputation among executives. All of thi

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CIO | Mar 12, 2009 1:17 PM PT

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10 Alternatives to Heavy-Handed Cloud App Control

Blocking any useful cloud app doesn't work and ultimately does the business a disservice. This list

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Forget about Apple and Twitter and Facebook and the Kindle for a second. Can you? I know it's difficult because they are everywhere.

Try a little harder.

OK. Now that I've got your attention, I'll try to be brief (in less than 140 characters, even): Consumer electronics and smartphone apps and Facebook are irrelevant.

They are nothing more than a costly distraction, stealing your attention from the massive problems that you, your company and the business world now face: We're in a deep recession (perhaps a depression), and your company's core IT systems are going to be called on to do more and more (with less and less).

I know that the topic of "corporate IT considerations" is not as sexy as, say, the latest and greatest at the iPhone App Store, but in times of great *business* peril, this is when great *business* applications are absolutely essential—not farting iPhone apps, nor 140-character ramblings about your plans for tonight.

I'm talking about ERP. I'm talking about business intelligence software that actually offe users insights into why customers are or are not buying—and what you can do about it Or supply chain apps that provide deep insight into blind spots in your logistics and inventory management.

Right now, the marketing group is powerless because everyone has shut down spendir Finance? What can they do except report on the fiscal carnage. And sales folk—well, they're in tough shape too, with commissions now drier than the Sahara.

This is IT's chance to be a hero.

And I actually don't care whether you're an official IT staffer or non-IT business user. It
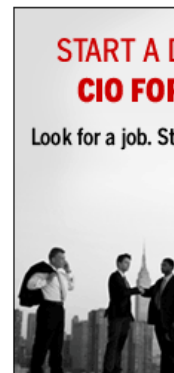
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ERP Backlash Coming Soon to a Company Nea

CIO | Jan 15, 2009 3:26 PM PT

ERP software implementations can be painful—crazy expensive for the business, enormously complex for IT grunts, and annoying to change-averse users. Some see ERP as a necessary evil that enables 21st century companies to achieve competitive *similarity* with one another.

At best, these grueling ERP rollouts deliver a back-office system that will bore any sane person to tears. At worst, they can be costly and embarrassing corporate blunders that leave board members or shareholders asking: "What the hell happened to that IT project?" (Don't believe me? Just ask bedding manufacturer Select Comfort why it suddenly halted its SAP ERP rollout.)

Your chances of ERP success? Not good, my friend. Today's ERP rollout has only a 7 percent chance of coming in on time, will probably cost more than what you estimated, and will likely deliver very unsatisfying results.

And all for what? Do you think the average user gets excited about a new ERP system? No way. "This back-office automation stuff—nobody gets excited about it," says Ray Wang, a VP and principal analyst at Forrester. "For the user, it's just one more form they've got to fill." It's no wonder, then, that there's a slightly better than 50 percent chance that users will want to use and, indeed, *actually* use the ERP application once it's in house.

So who likes ERP systems? Business managers and bean counters. "It is very hard to get excited about back-office [ERP] projects, unless you're a manager," Wang adds, "because it's designed to automate tasks so that managers get better visibility."

But that's all going to change this year. It *has* to. And it's not just because the economy is in the Dumpster.

There have been too many enterprise software blowups during the last 20 or so years (that we know about), and in Wang's estimation, there really haven't been any
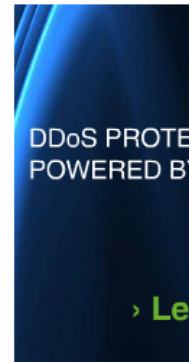
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but that's all going to change this year. It *has* to. And it's not just because the economy is in the Dumpster.

There have been too many enterprise software blowups during the last 20 or so years (that we know about), and in Wang's estimation, there really haven't been any improvements as of late in ERP project management. "I don't know if there is any change in the level of success or failure," he says. "My guess is that companies are putting these systems in begrudgingly. And if there's a failure, they're going to cover it up."

Plus, businesses have a growing number of alternatives to the traditional on-premise ERP "solution"—viable, mostly stable and easier-to-install applications that cost much less than those offered by big ERP vendors. Software-as-a-service (SaaS) ERP options are expanding and becoming too irresistible for business users (and IT staffs) to ignore much longer. Even more radical, some new-age ERP vendors, such as IFS, are building future ERP software releases with Gen Y users in mind—not just the bean counters. Think Facebook and Twitter (minus the incriminating photos).

In addition, 2009 could be the year that open-source ERP apps finally get a second look from corporate America. Cutter Consortium Senior Consultant Vince Kellen claims that open source will get a "second chance to get a toe in the door" in the coming year. "Initially, 2009 adopters will look for focused or niche applications, including office software for desktops, rather than 'rip and replace' ERP swap-outs," Kellen notes in a Cutter opinion piece. "However, I wouldn't be surprised if a few more early adopters attempt large-scale open source ERP."

Right now, it's essential that CIOs and IT managers spend less time on ERP RFPs, integration headaches and implementation schedules, and more time working hand in hand with business stakeholders on what is needed from IT to keep said business afloat.

SAP project halted after shareholder pressure

http://www.cio.com/article/2431619/strategy/sap-project-halted-after-shareholder-pressure.html

NEWS

SAP project halted after shareholder pressure

By Chris Kanaracus

IDG News Service | Dec 17, 2008 7:00 AM PT

The weak economy has companies of all sizes and types moving to cut costs, and for U.S. bedding manufacturer Select Comfort, those choices have included a decision to halt all work associated with a wide-ranging SAP ERP (enterprise resource planning) project. And documents on file with a government regulator indicate that shareholder pressure may have contributed to the move.

Select Comfort, maker of the "Sleep Number" bed, will also cut 22 percent of its workforce, or about 120 jobs, and combined with other actions under consideration, the moves will save the Minneapolis, Minnesota, company about US$15 million each year, according to a statement.

A company spokeswoman declined to comment further on Wednesday.

Documents on file with the U.S. Securities & Exchange Commission show that Select Comfort planned to implement an integrated suite of SAP applications, including modules for ERP, CRM (customer relationship management), SCM (supply chain management) and many others. The company initially expected the project would be complete during the first half of its fiscal 2008.

"We believe this SAP-based IT architecture ... will provide greater flexibility and functionality for our growing and evolving business model and be less expensive to maintain over the long-term," one filing states in part.

But other SEC filings show that Select Comfort officials had for months been under pressure by a shareholder, the Clinton Group, to spike the project.

In letters to Select Comfort's board, the Clinton Group characterizes the ERP implementation as significantly over budget and behind schedule, and the company's leadership as reckless.

Why ERP Systems Are More Important Than Ever

http://www.cio.com/article/2437248/enterprise-software/why-erp-systems-are-more-important-than-ever.html

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FEATURE

Why ERP Systems Are More Important Than E

CIOs remain committed to ERP systems despite innovation, integration and cost issues. Why? Business can't live without it.

SugarCR
do You C

By Thomas Wailgum | Follow
CIO | Jan 29, 2008 7:00 AM PT

sugarcrm.com/c

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Can't live with them, can't live without them. That pretty much sums up how CIOs and IT leaders feel about their ERP systems, according to a new *CIO* magazine survey that primarily focused on small to mid-market companies.

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What they told us revealed the extent to which companies in 2008 are completely married to and dependent upon their ERP systems. More than 85 percent of respondents agreed or strongly agreed that their ERP systems were essential to the core of their businesses, and that they "could not live without them."

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But this marriage is also showing some signs of stress: CIOs are still plagued by complex system integrations, high cost of ownership and ERP systems that are difficult to use. They are also yearning for innovation from their vendor partners.

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ERP Definition and S

And yet, CIOs appear unwilling or unable to divorce their companies from their ERP systems and try something new, such as software-as-a-service (SaaS) or open-source models.

The degree to which companies are wedded to their ERP systems comes as no surprise to Amy Doherty, CIO of American Financial Realty Trust, a $426 million publicly traded real estate investment trust. Doherty says that over the past 15 years, companies have attached more and more critical data, including financials, to these systems. "The tighter

ERP Implementation Success: Odds Are Stacked Against You

http://www.cio.com/article/2373584/enterprise-software/erp-implementation-success--odds-are-stacked-against-you.html

ERP Implementation Success: Odds Are Stack Against You

CIO | Jan 8, 2009 3:39 PM PT

What if I told you that your next enterprise software project had only a 7 percent chance of coming in on time, would more than likely cost more than what you estimated, and would very likely deliver very unsatisfying results.

In addition, you have a little better than a 50 percent chance that users will want to and, indeed, actually *use* the application.

Is that something you'd be interested in? And would you go forward with that software rollout?

According to new survey results, that's what those organizations that sign on for ERP implementations can expect. The new study and survey results by ERP consultancy Panorama Consulting Group show that 93 percent of ERP implementations take longer than expected.

Nearly two-thirds (59 percent) of implementations cost more than initially planned.

And just 13 percent of respondents characterize themselves as "very satisfied" with their company's software implementation.

There were plenty of other low-lights from the study, which based its findings on more than 1,300 online survey respondents and focus group participants who had implemented ERP within the last three years.

Nearly 40 percent of respondents said that a "lack of employee buy-in" was the biggest challenge facing ERP implementation teams. One-third identified "lack of ERP expertise" as another large problem.

And even once the ERP software was up and running, more than half (57 percent) of participants suffered operational stoppages. Just 21 percent realized 50 percent or more of their projected benefits. (To read Overstock.com's ERP saga, see "Overstock.com's
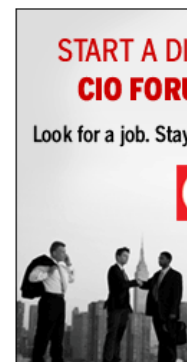
Overstock.com's Four-Year ERP Nightmare

http://www.cio.com/article/2373728/enterprise-software/overstock-com-s-four-year-erp-nightmare.html

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CIO | Oct 30, 2008 4:56 PM PT

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Overstock.com, the upstart unafraid to battle e-commerce goliath Amazon, has become semi-famous because of its brash and highly quotable leader, CEO Patrick Byrne, who once explained a $14.2 million third-quarter loss to investors this way: "My bad."

The online retailer has also drawn notice for its gimmicky advertising campaigns: "The Big O" and "It's all about the O."

The latest publicity for Overstock.com, however, has been all about "Uh-oh."

This week, Overstock.com executives announced they were restating earnings for a five-and-a-half-year period, dating back to 2003. All told, the accounting mistakes during the period had lead to a $12.9 million reduction in revenue and a $10.3 million increase to cumulative net loss.

The culprits behind all this mess? An overly aggressive CEO and a problematic Oracle ERP rollout that started back in 2005.

I'll spare you the financial accounting reasons for the restatement, and let a sampling of Byrne's explanation to shareholders sum it up: "The short version is: when we upgraded our system, we didn't hook up some of the accounting wiring; however, we thought we had manual fixes in place," he wrote. "We've since found that these manual fixes missed a few of the unhooked wires."

Looking back through Overstock.com's short history, it appears that the ERP implementation has been nothing but trouble. The strife started in 2005. That's when Byrne's "my bad" mea culpa over the $14.2 million loss was further exacerbated by a customer service meltdown related to the hurried Oracle ERP rollout.

"I bit off more technology projects than my colleagues could chew," Byrne told investors at the time. "The last bite, an ERP implementation, was one bite too many, and we choked on it."

Overstock's transition from a homegrown ERP package to the new Oracle system, which

Overstock's transition from a homegrown ERP package to the new Oracle system, which was rushed to completion before the 2005 holiday shopping season, left it unable to tell customers the status of their orders or to provide any shipping information, reported The Register's Ashlee Vance in late October 2005. The result: Overstock.com's customer tracking systems were down for nearly a week. "In total," Vance added, "it's a shocking display for a supposed Internet-savvy retailer meant to compete with the likes of Amazon.com and eBay."

Byrne, in the 2005 note to shareholders, remained resolute. "We anticipated that a small number of background processes would fail, but we had more trouble than expected," Byrne wrote. "Rather than pass the problem to the customer in the form of bad service, we ate the cost by doing a great many things manually that would normally be done automatically."

Things didn't get any better in 2006. In November, in another letter to investors, Byrne wrote "The IT problem that developed last September...has had lingering effects that ran well into this year," reported The Register's Vance. "In fact, while we viewed it internally as a 2005 Q4 to early 2006 Q1 problem (which is what it was technologically), I see now that, in terms of affecting customer behavior, it was more of a 2005 December to 2006 April problem.

"It has taken an enormous amount of work to recover," Byrne added, "but our operations and infrastructure are now healthy and strong."

Vance, who had had a bad customer experience with Overstock.com during 2005, went on to point out in 2006 that "after denying evidence to the contrary, Overstock has admitted that its customer service systems and infrastructure needed a lot of work and that they had a negative, long-term impact on consumers."

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Overstock.com overflops in Q3

http://www.theregister.co.uk/2006/11/07/overstock_q3_flop

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Overstock.com overflops in Q3

Stock heads toward the 'Big 0'

By Ashlee Vance, 7 Nov 2006

10 problems preventing your IT team from doing their best work

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Overstock.com's collapse went into overdrive this week. The company posted a drop in third quarter revenue and a larger loss. In retaliation, investors clobbered Overstock, sending its shares down 17 per cent on Monday to their lowest point in three years.

At about this time last year, we warned you that such a future might be in store - pardon the pun - for the online retailer. Your reporter had a horrendous experience with the company and then discovered that such experiences were common. Overstock's customer support staff also wrote to us, saying that the company's call centers were hopeless.

Rather than looking at my complaints with concern, Overstock's CEO Patrick Byrne repeatedly described your reporter in unkind terms both in e-mails and on financial message boards. That seemed a bizarre way for a CEO to handle a customer service issue.

As it turns out, Byrne specializes in the bizarre. He's spent months blaming a secret gang of short sellers for Overstock's woes. At least, that's who he was blaming until Monday.

"This year we have been fixing business processes and systems integral to serving our customers," Byrne wrote in a note to investors.

"The IT problem that developed last September, which we have discussed at length in prior communications, has had lingering effects that ran well into this year. In fact,

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Big ERP Vendors Making Same Mistakes as Big Three Automakers

http://www.cio.com/article/2373654/enterprise-software/big-erp-vendors-making-same-mistakes-as-big-three-automakers.html

OPINION

Big ERP Vendors Making Same Mistakes as Big Automakers

CIO | Dec 15, 2008 3:17 PM PT

ERP vendors just don't get the big picture regarding SaaS. They're building big, expensive Chevy Suburban-style software at a time when customers want lean, easy-to-use business apps that have more in common with a Toyota Prius. That's according to Bruce Richardson, the chief research officer at AMR Research, in a blog post that's based on a recent AMR report.

Here's Richardson's telling anecdote, which offers both a glimpse into enterprise software vendors' mindsets in 2009 and beyond, as well as a cautionary and familiar tale of denial and hubris. (Think: Big Three U.S. automakers groveling to the government to bail them out from their atrocious decisions and their ignorance regarding reality, i.e. gas guzzlers aren't selling, and the desires of their customers, i.e. more fuel-efficient automobile options.)

"Executives from one of the best-known ERP vendors recently talked to us about their 2009 product plans and strategy," writes Richardson. "At the end of the call, I expressed my astonishment that there were no plans to offer any part of their company's product line as software as a service."

As Richardson expected, the vendor's executives first response was to emphasize the advantages from an integrated suite versus a hybrid on-premises or on-demand strategy. "This quickly segued into a discussion of the challenges in making money with software as a service," he adds. "While I continue to agree with them on SaaS economics, they are missing the larger picture."

That larger picture, Richardson contends, is this: SaaS is for real. And much like the U.S. automakers that chose to ignore hybrid and electric-car technologies for so long and focus more on expensive SUVs, ERP vendors are going to have to play catch-up with their

BBC was 'complacent' over failed £100m IT project

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BBC was 'complacent' over failed £100m IT project

The digital media project was set up in 2008

The BBC was "far too complacent" in its handling of a failed IT project that cost licence fee payers £98.4m.

The Digital Media Initiative (DMI) was intended to move the BBC away from using and storing video tape.

But it was scrapped, with almost no results, after five years of development.

After investigating the demise of the project, **the Public Accounts Committee (PAC)** has branded the programme "a complete failure".

Chairman Margaret Hodge said the BBC needed to "overhaul" its approach to such projects, to "safeguard licence fee payers' money".

The BBC originally approved DMI in 2006. It was supposed to produce new editing tools, an online archive of the BBC's programmes and a new database.

Technology company Siemens was hired to develop the project in February 2008, and it was expected to be completed the following year.

However, after a series of delays, the project

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Biggest Enterprise Resource Planning Disasters of 2010

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Biggest Enterprise Resource Planning Disasters of 2010

By Chris Kanaracus, IDG News Service

- Dec 17, 2010 12:40 PM
- ✉
- 🖶

No year in the IT industry would be complete without a number of high-profile ERP (enterprise resource planning) project failures, ones that burn through mountains of cash, bring company operations to a standstill, generate bad publicity for vendors and toss careers in the trash.

There's no one reason why ERP projects run off the rails. In fact, you can equate a typical project to a three-legged stool, with the customer, vendor and systems integrator each serving as a leg.

Customers have to plan well, budget enough money for training and evolve their usual way of working. Vendors must deliver software that functions properly and matches up well with a customer's business processes. And implementation teams have to set the right expectations, meet project milestones and avoid waste.

If one or more of these "legs" doesn't hold up, things can get ugly.

Michael Krigsman, president and CEO of Asuret, a consulting firm focused on helping companies improve the outcome of IT projects, prefers to use the more ominous metaphor of "the Devil's Triangle" to describe the dynamics in play.

And he sees no immediate end to troubled projects. "There is no magic bullet. The magic bullet is to change human nature, to make us wise and all-seeing," he said.

But Krigsman sees "bright lights on the horizon," such as the gradual emergence of cloud-based ERP, which can take the complexity out of upgrades for customers, as well as packaged services offerings, where the job gets a fixed price tag instead of being billed by the hour. In addition, such services are often based on well-established processes that have worked for many other customers, Krigsman said.

"Where the gotcha comes in is when you're working with a fixed-price agreement and you ask them to do something different," Krigsman added. Then the job might revert to a standard, by-the-hour billing arrangement that can ratchet up costs. "That's why the customer has to exercise a greater level of discipline," he said.

Manhattan U.S. Attorney charges four CityTime employees with $80 million waste, fraud scam

http://www.nydailynews.com/new-york/manhattan-u-s-attorney-charges-citytime-employees-80-million-waste-fraud-scam-article-1.472498

Manhattan U.S. Attorney charges four CityTime employees with $80 million waste, fraud scam

BY GREG B. SMITH / DAILY NEWS STAFF WRITER / Wednesday, December 15, 2010, 12:11 PM

A A A

Four highly paid consultants hired to computerize the municipal payroll to eliminate waste and fraud were charged Wednesday with using the city as a "cash cow" to steal $80 million.

Manhattan U.S. Attorney Preet Bharara unsealed charges against the four hired as part of a project called CityTime that Daily News columnist Juan Gonzalez first revealed was hobbled by waste and bloat.

The four were arrested Wednesday morning, along with the wife and mother of one of the consultants. All were charged with with using a network of shell companies to siphon off millions of taxpayer dollars.

Bharara said the plotters "used the the city as their own personal cash cow, making misrepresentations that led to the misappropriation of tens of millions of dollars."

Consultant Mark Mazer put front companies in the names of his wife and mother to pocket more than $25 million, according to a criminal complaint filed in Manhattan federal court.

Prosecutors said the defendants also took kickbacks and engaged in money laundering.

gmsith@nydailynews.com

HP pays BSkyB £318m in final settlement of CRM lawsuit

http://www.computerworlduk.com/news/it-business/20593/hp-pays-bskyb-318m-in-final-settlement-of-crm-lawsuit/

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IT Business

HP pays BSkyB £318m in final settlement of CRM lawsuit

More cash for Murdoch and no appeal from HP

By Leo King | Computerworld UK | Published 18:24, 07 June 10

HP has agreed to pay BSkyB a total of £318 million in full and final settlement of a high profile lawsuit over a failed CRM implementation by EDS ten years ago. HP has dropped plans for an appeal.

The total settlement includes £230 million in damages, as well as £40 million in interest and tax, already paid by HP.

HP: BSkyB-EDS problems occurred in a different outsourcing era | Sky lashes out at BBC's YouView with Ofcom, OFT complaints

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Settlement shows how supplier relationships have changed over last 10 years

HP acquired EDS in 2008, when it was embroiled in a legal battle with the broadcaster. In a judgement delivered in January, EDS was found to have deliberately lied about the time needed to complete the customer software implementation at the broadcaster. These lies helped it win the £48 million deal ahead of PricewaterhouseCoopers, the judge found.

The final sum also includes legal costs and remaining damages claimed by BSkyB, issues that had been hotly contested.

HP is also believed to have run up legal costs of around £40 million, fighting the case, a similar expenditure to BSkyB. HP did not confirm the figure.

HP will now make a final £48 million payment to BSkyB. The news comes days after HP said it would cut 9,000 jobs as part of efforts to reinvigorate its IT services division – including EDS – and three months after HP was forced to restate revenues after the original £270 million was paid.

The total payment of £318 million from HP is equivalent to $461 million in US currency, and represents more than a fifth of HP's entire $2.2 billion net earnings for services, PCs and printers for the last quarter to 30 April

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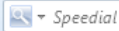
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Marin County to rip and replace ailing SAP system

NEWS

Marin County to rip and replace ailing SAP sy

By Chris Kanaracus

IDG News Service | Aug 24, 2010 5:52 PM PT

Officials in Marin County, Calif., decided Tuesday to replace the county's ailing SAP ERP (enterprise resource planning) system, an option that would cost less than trying to fix widespread problems with the software, according to officials.

The system is the subject of a lawsuit Marin County filed against system integrator Deloitte Consulting earlier this year. Deloitte used the project as "a trial-and-error training ground" for inexperienced employees, and the result was a "costly computer system far worse than the legacy systems it was intended to replace," according to the county's complaint.

Deloitte has filed motions against Marin County's "completely unfounded allegations," as well as a complaint seeking unpaid fees, a spokesman said via e-mail. The system "was working properly and could perform all the tasks consistently with the standards set forth in the written contract," according to a Deloitte court filing.

Marin County tells a different story. The SAP implementation dates to 2006, but today only 50% of the functionality is in place and working properly, according to a county report.

"In order to make it happen with SAP, we would need to re-architect it, redesign it, and that would be quite expensive," said David Hill, director of the county's information services and technology department, during a meeting of the Marin County Board of Supervisors, which was webcast.

Most county department heads "agree there's a compelling reason to move off SAP or improve it, but not to stay where we were," he added.
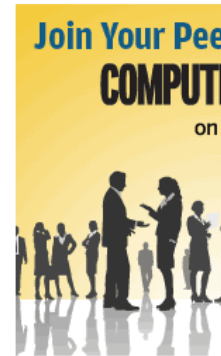
Marin County complaint against Deloitte Consulting on failed SAP project

http://www.scribd.com/doc/32419050/Marin-County-complaint-against-Deloitte-Consulting-on-failed-SAP-project

SAP, Waste Management Settle Lawsuit

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SAP, Waste Management Settle Lawsuit

By Chris Kanaracus, IDG News Service   May 3, 2010 10:30 AM   ✉   🖨

The rancorous lawsuit between SAP and Waste Management has been settled, with the software vendor making an undisclosed, one-time cash payment to the trash hauler, according to court documents and a regulatory filing.

Waste Management originally sued SAP for fraud in March 2008 over an allegedly failed implementation of its ERP (enterprise resource planning) software. The trash-disposal conglomerate had claimed it suffered significant damages, including more than US$100 million it spent on the project, which it has dubbed "a complete and utter failure," and more than $350 million for benefits it would have realized if the software had been successful.

SAP had fired back with charges that Waste Management didn't "timely and accurately define its business requirements" nor provide "sufficient, knowledgeable, decision-empowered users and managers" to work on the project.

Waste Management received "a one-time cash payment" in accordance with the settlement, according to a quarterly earnings filing it made with the US Securities & Exchange Commission last week. The terms of the settlement are confidential, said Jim Wetwiska, an attorney for Waste Management. A Waste Management spokeswoman referred IDG News Service to the SEC filing.

"The matter between Waste Management and SAP has been resolved, and the case has been dismissed," SAP spokesman Andy Kendzie said via e-mail. He declined to provide further details.
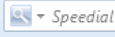
The settlement represents the final chapter in a colorful saga.

Waste Management wanted an ERP package that could meet its business requirements without large amounts of custom development, according to the trash company's second amended complaint, filed April 8 in the District Court of Harris County, Texas, 164th Judicial District.

SAP used a "fake" product demonstration to trick Waste Management officials into believing its software fit the bill, the complaint states.

ERP woes blamed for lumber company's bad quarter

http://www.computerworld.com/article/2513991/enterprise-applications/erp-woes-blamed-for-lumber-company-s-bad-quarter.html

ERP woes blamed for lumber company's bad quarter

By Chris Kanaracus

IDG News Service | Nov 5, 2010 2:13 PM PT

Lumber Liquidators is attributing a weak third quarter to a complex SAP implementation, saying the project imposed a significant drain on worker productivity. But the problems appear to be largely related to employees having trouble acclimating to the new system, versus malfunctions in the software itself.

The discount flooring chain "implemented the most significant phase" of its SAP project during the quarter in late August, it reported Wednesday. Its components include a new point-of-sale system along with warehouse management and inventory modules.

While business continued without interruption during the project, and net sales rose $6.7 million to $147.2 million, lower productivity led to an estimated $12 million and $14 million in unrealized net sales, according to the company. Net income fell nearly 45% to $4.3 million.

But Lumber Liquidators expects the SAP system to have significant benefits for the company over time, CEO Jeffrey Griffiths said during a conference call Thursday. It will help the company grow internationally, as well as take advantage of a broad ecosystem of complementary applications, he added.

He attributed the problems in the quarter to employees' having difficulty adjusting to the SAP software, which he nonetheless praised.

"One features of our previous system is that it was very flexible and easy to manipulate. SAP is much more structured, you follow steps, but it's much more stable because of that was a change for us," he said. "There were a few things that didn't work quite right, a few things that were unique to our business that we didn't see as well ahead of time," he added.

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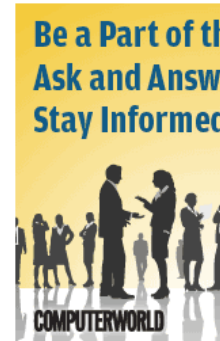
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Jury Awards Pet Food Maker $61 Million in ERP Suit

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NEWS

Jury Awards Pet Food Maker $61 Million in ERF

A jury in Alabama last week awarded pet food maker Sunshine Mills $61 million in connection with its lawsuit over a problematic Ross Systems ERP (enterprise resource planning) software package.

By Chris Kanaracus

IDG News Service | Dec 6, 2010 7:00 AM PT

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10 Alternatives to Heavy-Handed Cloud App Control

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A jury in Alabama last week awarded pet food maker Sunshine Mills $61 million in connection with its lawsuit over a problematic Ross Systems ERP (enterprise resource planning) software package.

Some $16 million of the damages were compensatory and $45 million were punitive. Sunshine Mills originally paid $235,000 in licensing fees, according to Ross Systems, a subsidiary of CDC Software. The company plans to appeal the verdict, which it called unjust.
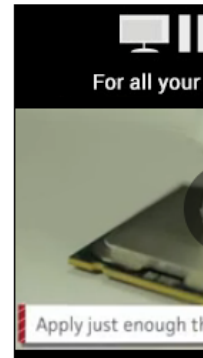
Sunshine Mills "knowingly purchased a beta version of the software" and its claims were "subject to various limitations contained in the agreement between the parties," according to Ross Systems. In addition, the company continues to use the software and it is being used successfully at many companies around the world, according to Ross Systems.

"This is a sad day for the software industry," Ross Systems president Sherri Rodriguez said in a statement. "These types of unfair judgments make it more and more challenging for software companies to operate."

The company's version of events doesn't jibe with that of Daniel McDowell, one of the attorneys who represented Sunshine Mills in the case, which was filed in 2008.

The jury "sent a message to the software industry" that it must treat customers fairly, he said in an interview.

Ross Systems tricked Sunshine Mills by demonstrating software that supposedly would work out of the box, but failed miserably once it went live, McDowell said.

Payroll errors shortchange Fort Worth police officers

www.star-telegram.com/2010/12/13/2701639/payroll-errors-shortchange-fort.html?rh=1

Payroll errors shortchange Fort Worth police officers

Posted Tuesday, Dec. 14, 2010   0 comments   🖨 Print   🅰 Reprints   ➕ Share   👍 Like   0

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BY DEANNA BOYD
dboyd@star-telegram.com

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News tip? Tell us

FORT WORTH -- One officer who had just returned from military service worked 128 hours before seeing a paycheck.

Another was shorted more than $760 last month -- money he has still not received.

As recently as Thursday, some officers received paychecks for "$0."

A new city payroll system, implemented in mid-October, has created headaches for dozens of Fort Worth police officers who have been paid too little or, in some instances, too much.

The Fort Worth Police Officers Association said it has taken the city weeks, sometimes months, to issue corrected checks, leaving many officers struggling to pay bills and, in some cases, borrowing from their friends.

"The employees should not be left wondering if they're going to make their house payment that month because the city's payroll system can't seem to get them paid correctly," association President Rick Van Houten said.

Jason Lamers, a city spokesman, said that the city has issued 27,100 paychecks since the new payroll system went live Oct. 18 and that roughly 400 corrected checks have been issued. Officials said about half of the correction requests have come from the Police Department.

A task force of employees from other city departments is working -- including on weekends -- to address the Police Department's backlog of correction requests. Van Houten said the police association board was told Monday that the task force had resolved 165 of 285 such requests.

Human error in entering data is to blame for the incorrect paychecks and additional training is under way to correct that, Lamers said.

"It's easy sometimes to say the system's broken, but the system is working in this case," Lamers said. "What we need help with and what we're working with is inputting the data into the system correctly from timekeepers."

Once an error has been validated by police and submitted to human resources, the city's goal is to have a corrected paycheck issued within two business days, he said.

"When someone doesn't get paid correctly or appropriately, that's very serious, and we are working through those processes to get that done," Lamers said.

Complicated shifts

At issue, Van Houten said, is that the city's PeopleSoft payroll system is not compatible with officers' unpredictable and complex shifts.

"They're trying to fit a nontraditional work group into a cookie-cutter program," Van Houten said.

In some cases, officers must fill out and submit timecards for future shifts. Figuring in extras like field training or shift differential pay for eligible officers further complicates the problem, he said.

SAP System Issue Blamed for Delayed San Diego Audit

www.pcworld.com/article/211197/article.html

SAP System Issue Blamed for Delayed San Diego Audit

By Chris Kanaracus, IDG News Service   Nov 19, 2010 11:30 AM   ✉ | 🖨

Problems with its SAP system are forcing San Diego to delay a city budget audit for six months, in just the latest tale of woe for the troubled ERP (enterprise resource planning) project.

San Diego decided to fire its original consulting firm, Axon, in late 2008 for nonperformance and subsequently signed a deal with SAP's services arm to finish the job, which is also running well over its original US$36.5 million budget.

The audit delay is necessary due to data issues in the SAP payroll system that are in the process of being corrected, according to a Nov. 2 memo by San Diego's chief financial officer, Mary Lewis.

"There were many timecard entry errors introduced by our employees (i.e time being charged to one account when it should have been charged to another account) when the new payroll system went live [in January]," Lewis wrote in part.

City officials have been making fixes all year, but in recent months determined that "a different approach was needed and a comprehensive reprogramming effort was developed."

The fixes will be "permanent and comprehensive," she added. "This is a one-time action that will resolve the issues in fiscal 2010, the current year and going forward, and will not need to be repeated."

ERP projects are sometimes compared to a three-legged stool, with the software vendor, customer and systems integrator each playing an important role. A project's success depends on how well all three players execute their part.

In this case, the delayed audit is not attributable to complexity or performance problems with SAP's software, SAP spokesman Andy Kendzie said via e-mail. "Nor is it a lack of leadership or executive commitment. SAP and the City of San Diego remain absolutely trusted partners. We are firmly on board with the city and proud of our association with them."

A spokesman for San Diego mayor Jerry Sanders did not respond to requests for comment.

Oregon SAP project wracked by leadership woes

http://www.computerworld.com/article/2514125/enterprise-applications/oregon-sap-project-wracked-by-leadership-woes.html

Oregon SAP project wracked by leadership w

By Chris Kanaracus

IDG News Service | Nov 9, 2010 5:03 PM PT

An SAP implementation conducted by the city government of Portland, Ore., went badly awry due to planning and project leadership problems, resulting in skyrocketing costs and a protracted time line, according to a report released Tuesday by the city's auditor.

The project to replace Portland's software with SAP started with a planning phase in 2004 and was originally budgeted at US$14 million, the report states. But while the project has now achieved its primary goal, the implementation ended up costing more than $47 million and took longer than 30 months, instead of an expected 14 months.

That tab does not include other costs, such as payroll and benefits for many full- and part-time city workers who participated in the project.

SAP and its software did not come under fire in the report.

"The issues that have appeared pre-dated SAP's involvement in this project," said SAP spokesman Andy Kendzie. "To my knowledge, the project is under control and moving forward. They are a very valued customer."

Indeed, the relationship between SAP and Portland appears sound. City officials participated in an SAP case study on the project, and also put out a press release last year extolling the new system's initial benefits.

Instead, the report points to inadequacies on the part of city officials and the project's initial systems integrator.

For example, city officials had based the original budget on an independent estimate that did not factor in costs such as new hardware needed to run the system. In addition, city officials later added more functionality to the project

Cloud downtime has cost over £45 million since 2007

http://news.techworld.com/virtualisation/3365175/cloud-downtime-has-cost-over-45-million-since-2007/

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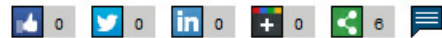News   Reviews   Features   Blogs   D

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Cloud downtime has cost over £45 million since 2007

Researchers say their figures of the economic impact of cloud outages is probably underestimated

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By Loek Essers | Published: 10:50, 20 June 2012

A total of 568 hours of downtime at 13 well-known cloud services since 2007 had an economic impact of more than $71.7 million (£45.8 million), according to the International Working Group on Cloud Computing Resiliency (IWGCR).

The average unavailability of cloud services is 7.5 hours per year, amounting to an availability rate of 99.9 percent, according to the group's preliminary results. "It is extremely far from the expected reliability of mission critical system (99.999 percent). As a comparison, the service average unavailability for electricity in a modern capital is less than 15 minutes per year," the researchers noted in their paper.

It is the first time that the group, formed in March 2012 by Telecom ParisTech and Paris 13 University, published what it calls the Availability Ranking of World Cloud Computing (ARWC). As cloud services appeal more and more to government agencies and global businesses, it becomes more important that the provided services are reliable, especially when the systems are mission critical, the researchers said. The lack of cloud reliability is not commonly known by the industry, they added.

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Their research is based on press reports of cloud outages at services like Twitter, Facebook, Amazon, Microsoft, Google, Yahoo and Paypal, among others.

The costs for an hour-long outage can vary from $89,000 at a travel service provider such as Amadeus, to $225,000 an hour for a service like Paypal, according to the research paper. The figures are based on hourly costs accepted by the industry, the researchers said. Outages at companies like Google, Microsoft and Amazon amount to an estimated $200,000 an hour, according to the group.

Besides the economic impact, the downtime that sometimes can last for days or even a week can affect millions of users.

ERP Software Vendors: Playing the Shell Game

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ERP Software Vendors: Playing the Shell Game

Steve Phillips Apr 27, 2012 | Comments (0)

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For many organizations evaluating ERP software, it is not unusual when the euphoric atmosphere during the software demonstrations eventually gives way to the harsh realities of implementation. That is, ERP software vendors are no help in setting realistic expectations and are usually part of the problem. Understanding the tactics many vendors utilize can help avoid selecting the wrong package and dooming the project from the start.

First it must be recognized that the business of peddling ERP software involves huge commissions and the biggest sales pitch on the planet. While software vendors speak of the desire to partner with their clients, how many are eager to tell you all of the things their software does not do? Of course, this is a bit one-sided but you get the picture.

When the prospective buyer attempts to understand what is behind the curtain, most vendors play a shell game to conceal software limitations. For example, client questions about the software that result in vendor answers such as **it could, it might, in the future, write a new report, minor software change or I will get back with you** usually mean the software does not do it and never will.

When evaluating software, a list of requirements and business scenarios for the vendor to demonstrate are prerequisites. In order to work around these challenges, most vendors agree with what a former US President once said, **"It all depends on what your definition of the word *is* is."**
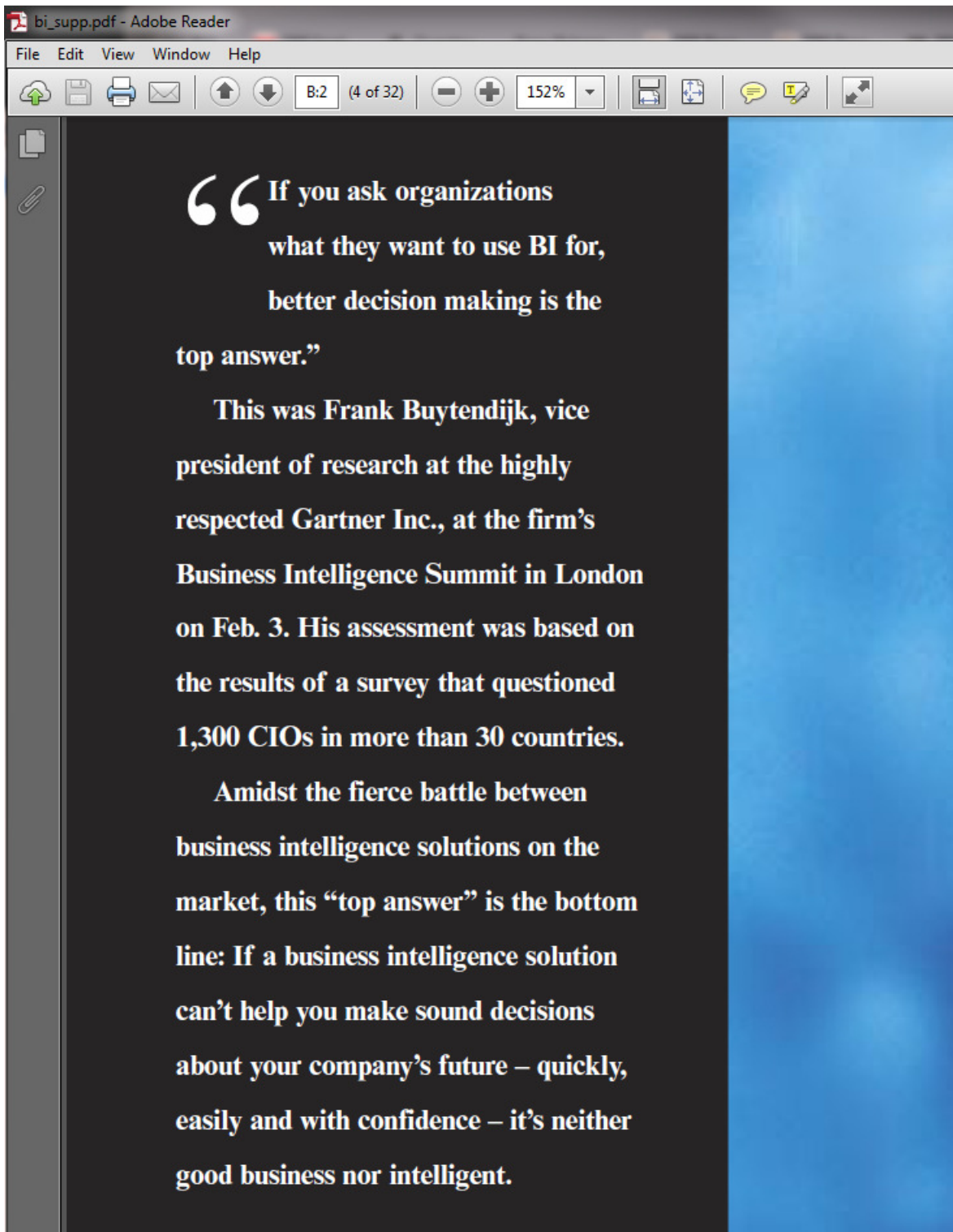
While all vendors claim their package contains best practices, **whose best practice is the multi-million dollar question**. Taking a blind leap of faith in this area may be the last leap you ever take.

During the sales process, some vendor practices are downright deceitful, involving power plays or acts of desperation. For example, **do not get too excited when your company's terminology is on the demo system menus and screens or some of your data is in the system.** These common diversionary tactics do not mean anything when it comes to what the software can do.

Understanding the underlying technologies, integration, and support associated with

Gartner -- Most organizations are NOT making better decisions than they did five years ago

http://www.sas.com/offices/africa/southafrica/news/feature/bi_supp.pdf

> "If you ask organizations what they want to use BI for, better decision making is the top answer."
>
> This was Frank Buytendijk, vice president of research at the highly respected Gartner Inc., at the firm's Business Intelligence Summit in London on Feb. 3. His assessment was based on the results of a survey that questioned 1,300 CIOs in more than 30 countries.
>
> Amidst the fierce battle between business intelligence solutions on the market, this "top answer" is the bottom line: If a business intelligence solution can't help you make sound decisions about your company's future – quickly, easily and with confidence – it's neither good business nor intelligent.

If a business intelligence solution can't help yo

decisions about your company's future – quick

with confidence – it's neither good business no

"But," Buytendijk continues, "most organizations are *not* making better decisions now than they did five years ago. The pressure from cost cutting and compliance has put a greater focus on BI, but businesses are still using it very tactically. Successful organizations realize that having a real vision for BI is the key to business performance, and they use information as a resource implemented in their business culture."

It's a vision that's time has arrived, led by SAS' flagship BI solution, SAS® Enterprise BI Server. It's the idea of sharing The Power to Know® – by putting powerful analytic, forecasting and reporting capabilities in more peoples' hands throughout the of Darwinian proportion: Adapt and learn, or die.

These demands formed the raison d'être for traditional business intelligence software, which gives companies the query and reporting capabilities to help them use more strategically the vast amounts of data they're collecting across their enterprises. SAS Business Intelligence takes advantage of SAS' integrated Intelligence Platform to deliver accurate, consolidated enterprise information at the right time, to the right people, in the format they can best use.

Today, however, as more and more vendors throw their hats in the ring to offer "BI solutions," it becomes

SAP: Clueless Consultants From Accenture And IBM Giving Us A Bad Name (SAP)

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SAP: Clueless Consultants From Accenture And IBM Giving Us A Bad Name (SAP)

ERIC KRANGEL | FEB 6 2009, 6:47 AM | ⚑ BOOKMARK | 💬 | 👍

My first job out of college was as a consultant for Accenture (ACN), still called "Andersen Consulting" in those days. And after a whirlwind six weeks of training that had nothing to do with ERP, I was designated an expert systems integrator on PeopleSoft, the ERP system later devoured by Oracle (ORCL). I learned what "ERP" meant about 36 hours before I showed up on my client's doorstep.

Over the next several years, I worked on four so-called "full life-cycle" ERP implementations. Every one was delivered late, over budget, and with more bugs than a youth hostel in Bangkok.

Did the projects fail because I (and the tens of thousands of entry-level

The Price Tag of ERP Failure: $440 Million?

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THE PRICE TAG OF ERP FAILURE: $440 MILLION?

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As details regarding Knight Capital's dramatic ERP failure continue to emerge, it becomes clear that organizations that don't effectively handle their ERP implementations can (and often do) end up paying a price almost beyond comprehension. For those who haven't followed the news, Knight Capital recently lost over $400 million in a matter of minutes because of a glitch in its trading software — trading software that wasn't fully tested and properly deployed prior to production. In addition to the immediate impact of lost cash and profits, the company's stock to drop 68-percent the day following the glitch.
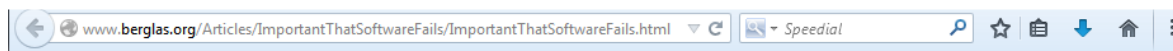
Although Knight Capital is a financial services firm, and thus has the ability to lose large sums of money in short periods of time, this failure does highlight and quantify some of the potential risks of ERP software initiatives for organizations in all industries. When most organizations consider the risk and cost of an ERP failure, they typically think about relatively smaller-scale risks (e.g., going over budget or not realizing business benefits) than what Knight Capital experienced. But while large companies implementing SAP, Oracle, Microsoft Dynamics or any other ERP system may not need to worry about losing $440 million in 30 seconds as a result of their ERP failures, they do need to remember that the expense of budgetary overruns and lost business benefits alone can easily carry a multi-million dollar price tag.

When you factor in other implementation risks, such as unaccounted for assets due to the inability to accurately track data, lost customer orders because of botched inventory planning, and/or revenue shortfalls due to shipping problems, the damage caused by ERP failures increases dramatically. Both Shane Company and Lumber Liquidators, two companies that quantified the impact of their failed ERP implementations, discovered that the damage caused by their failures increased exponentially once opportunity costs and negative business impacts were taken into account. In addition, Panorama's research shows that 54-percent of organizations have some type of material operational disruption after ERP system go live, often times resulting in millions of dollars of additional costs.

So what lessons can we learn from Knight Capital's dramatic failure and what steps can your organization take to avoid similar challenges? There are a number of guidelines we incorporate into our implementation methodologies, which all apply whether we're implementing SAP, Oracle, Microsoft Dynamics, Epicor, Infor

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Why it is Important that Software Projects Fail

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Why it is Important that Software Projects Fail

An essay on computer productivity

DRAFT

Dr A Berglas, February/October 2008
AXnthony@Berglas.org (Feedback welcome, remove X.)
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Abstract

This paper boldly challenges the long established misconception that the catastrophic failure of expensive software projects is detrimental to society. Historical analysis of bureaucracies such as the Australian Tax Office shows that massive software automation has not increased their real efficiency since the 1950s. Any increase in the efficiency of individual workers has simply been consumed by increased bureaucratic complexity, as predicted by Parkinson's law.   As the primary net effect of software is to facilitate bureaucratic complexity it is therefor essential that software projects fail if society is to function effectively. In this way the heavy burden of guilt can be lifted from the shoulders of the numerous project managers that have subconsciously devoted their careers to ensuring that projects rarely, if ever, succeed.

Introduction

Many have bemoaned the fact that software projects rarely live up to their expectations, and many are completely abandoned at great expense. When engineers set out to build a bridge a bridge gets built. Our water ways are not cluttered with abandoned structures that cannot be made to work; bridge building is almost always successful. And the constructed bridges almost always function correctly and are usually built fairly close to budget. But when a large team of programers sets out to develop software it is very uncertain whether anything of use will be delivered at all.

Some put this down to organizational culture. If an engineer were to deliberately under specify a load bearing beam in order to cut costs, they would be sent to jail. But when a programmer cuts a corner they get promoted. Others suggest that the problem domains are fundamentally different. But all commentators assume that failure is detrimental to society. This paper sets out to correct that misunderstanding.

Berglas's Corollary to Parkinson's Law

Parkinson (1955) is a seminal work that analysis the growth of bureaucracy. It proves the Law of the Multiplication of Work, and provides empirical examples that include the growth of the British admiralty compared to the decline in the number of ships, and the growth of the colonial offices during the decline of the empire. The paper develops scientific formulas that accurately predicts the growth of any bureaucracy depending on numerous parameters, none of which relate to the amount of work to actually be performed.

But writing in 1955, Parkinson could not have foreseen the massive impact that computerized automation would have in the following decades. This paper updates Parkinson's law with Berglas's corollary, namely that no amount of automation will have any significant effect on the size or efficiency of a bureaucracy.

Empirical Evidence

Labour's computer blunders cost £26bn

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Labour's computer blunders cost £26bn

Ministers blamed for 'stupendous incompetence' after taxpayers left with huge bills for bungled projects

BY MICHAEL SAVAGE , POLITICAL CORRESPONDENT   Tuesday 19 January 2010

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A series of botched IT projects has left taxpayers with a bill of more than £26bn for computer systems that have suffered severe delays, run millions of pounds over budget or have been cancelled altogether.

PEOPLE