



Stuart van Rij

# Implementing ERP

ERP implementations are complex, expensive and prone to failure. As Thomas Wailgum notes, “ERP projects have only a 7 percent chance of coming in on time, most certainly will cost more than estimated, and very likely will deliver very unsatisfying results” (See “Why ERP is still so hard” <http://tinyurl.com/qkv7ah>).

And yet, these ERP solutions still play an essential part in many businesses.

When embarking on an ERP implementation, there are all manner of issues and options that need to be worked through to reduce the risks. Set out below are three often neglected areas to focus on before inking the deal.

## Where are the hidden licence costs?

History has proven that the potential for cost “blow out” in an ERP project is huge. And it’s not just the usual suspects of data conversion, change management and customisation. The complex, and sometimes peculiar, licence terms hide many provisions that can be used to “hook” additional licences down the track. It’s essential to get to grips with the detail and focus on the following sorts of issues:

How much flexibility is there to chop and change certain variables (for example licensed users, sites, business roles) to fit

changing business needs with minimal, or at least predictable, financial impact?

■ To what extent can the software be accessed and used by affiliates, business partners and service providers. (For example will you need to pay addi-

## There are three often neglected areas to focus on before inking the deal.

tional licence fees if you enter into outsourcing arrangements down the track?)

■ Is it clear what “use” of the software actually permits and does this fit with your needs?

## Is there a commitment to deliver the promised solution?

In accepting the implementer’s standard form contract (not ideal), you can expect few, if any, meaningful remedies, warranties or “skin in the game”. The overall warranty and liability regime will need some serious panel beating (see “Fine Print Finesse” in <http://tinyurl.com/qh3naw>).

However, the following areas should also be a focus:

■ Top notch project management plays a critical role in project success. Is the implementer’s project manager any good? Is he or she legally and practically “locked in” for the implementation?

■ To what extent is the imple-

mentation partner responsible for the end-to-end solution? (Check for integration between the software supplier and implementation partner contracts to avoid “finger pointing” scenarios.)

■ Is the baseline of requirements

for the solution rock-solid? All manner of documentation can be exchanged in a large implementation. Care is needed to avoid your initial requirements being inappropriately superseded by the extensive project documentation. Don’t underestimate just how easily this can occur. The requirements baseline needs to be appropriately protected in the contract.

## Are there realistic obligations on the team?

Successful implementation requires “boots and all” involvement from the customer. However, the last thing you want is an implementer that has failed to do their due diligence and made unrealistic assumptions as to your resources and capabilities. This has cost-overflow written all over it. Here are a few things to focus on:

■ Are the assumptions and customer obligations clear, understood and manageable?

■ What will take place when

the customer fails to perform or an assumption proves to be invalid? At least make sure the implementer is required to raise issues immediately (so they can be addressed and don’t fester) and there’s an agreed regime for managing the downstream impact on cost and liability.

■ To what extent should the implementer be prevented from re-pricing or wriggling out of liability, if it transpires that its due diligence has been inadequate?

■ Should the implementer be obligated to “hand hold” the customer throughout the project, providing all necessary guidance and assistance?

No one can guarantee a successful ERP implementation. However, addressing these types of issues at the beginning of a project will reduce the risk of being caught out at the tail end. ■

**Stuart van Rij** is a senior associate at Wigley & Company, a law firm specialising in ICT. He can be reached at (04) 499 1842 or [stuart.vanrij@wigleylaw.com](mailto:stuart.vanrij@wigleylaw.com)

**If there is a question you would like Stuart to answer in relation to IT issues, please forward it to [divina@cio.co.nz](mailto:divina@cio.co.nz)**