

## REAL WORLD CASE 2

# Agilent Technologies and Russ Berrie: Challenges of Implementing ERP Systems

**T**he good news is that Agilent Technologies Inc. (www.agilent.com) says its enterprise resource planning applications are stable. The bad news is they got that way only after a rocky ERP migration project that cost the company \$105 million in revenue and \$70 million in profits.

In mid-August 2002, the multinational communications and life sciences company, formerly a part of Hewlett-Packard Co., said problems with the ERP components in Oracle's e-Business Suite 11e software froze production for the equivalent of a week, leading to the massive losses. The Oracle system handles about half of the company's worldwide production of test, measurement, and monitoring products and almost all of its financial operations, as well as functions such as order handling and shipping.

Agilent was in the process of migrating as many as 2,200 legacy applications that it inherited from HP to Oracle. As part of the switchover, approximately 6,000 orders in the internally developed legacy systems had to be converted to an Oracle-friendly format, an Agilent spokeswoman said from company headquarters in Palo Alto, California. She said the configuration process had problems requiring correction.

In a statement last week, Agilent President and CEO Ned Barnholt said the disruptions to the business after implementing the ERP system were "more extensive than we expected." An Agilent spokeswoman said the issue wasn't the quality of the Oracle application, but rather the "very complex nature of the enterprise resource planning implementation."

For its part, Oracle Corp. said it's working closely with Agilent. "At Oracle, we are fully committed to all of our customers for the long haul and support them in any way necessary," the company said in a statement. "We have a strong relationship with Agilent, and both companies believe the implementation is stable."

Agilent also had a takeaway lesson: "Enterprise resource planning implementations are a lot more than software packages," the company said in a statement. "They are a fundamental transformation of a company's business processes. People, processes, policies, the company's culture are all factors that should be taken into consideration when implementing a major enterprise system."

According to one analyst, ERP disasters are often caused by the user company itself. Joshua Greenbaum, an analyst at Enterprise Applications Consulting, said 99 percent of such rollout fiascoes are caused by "management's inability to spec out their own requirements and the implementer's inability to implement those specs."

**Russ Berrie and Co.** After a three-year saga that included a \$10.3 million financial hit from the failed installation of packaged applications, teddy bear maker Russ Berrie and

Co. (www.russberrie.com) was taking another crack at replacing its legacy business systems. The Oakland, New Jersey-based distributor of toys and gifts finalized plans to roll out J. D. Edwards & Co.'s OneWorld Xe suite of enterprise resource planning (ERP), customer relationship management, and financial applications. The multimillion-dollar project was scheduled to be done in phases over the next 18 months.

Russ Berrie CIO Michael Saunders said that the company, which had sales of \$225 million during the first nine months of 2001, hoped the OneWorld System would help it reach \$1 billion in annual revenue in the coming years. Within the next 12 months, he said, Russ Berrie planned to begin installing the applications one department at a time, starting with a stand-alone implementation in purchasing. "We're not going big bang," Saunders said. "We're mitigating implementation risks by taking a phased-in approach."

The company had reason to be cautious. Three years before, a Y2K-related migration from its homegrown distribution, financial, and customer service systems to packaged ERP applications experienced major system failures. Saunders said the problems were severe enough for Russ Berrie to take many of the new applications off-line and return to their old systems. Saunders wouldn't identify the software vendors that were involved in the failed implementation, but sources said that SAP AG's applications were part of the 1999 project. A spokesman at SAP confirmed that Russ Berrie was one of its customers, but he declined to offer further details because of pending litigation between the two companies.

Joshua Greenbaum of Enterprise Applications Consulting said it appeared that Russ Berrie "bit off more than they could chew" on the 1999 project. Companywide rollouts are especially risky for midsize businesses like Russ Berrie, Greenbaum said.

### Case Study Questions

1. What are the main reasons companies experience failures in implementing ERP systems?
2. What are several key things companies should do to avoid ERP systems failures? Explain the reasons for your proposals.
3. Why do you think ERP systems in particular are often cited as examples of failures in IT systems development, implementation, or management?

Source: Adapted from Marc Songini, "ERP Effort Sinks Agilent Revenue," *Computerworld*, August 26, 2002, pp. 1, 12; and Marc Songini, "Teddy Bear Maker Prepares for Second Attempt at ERP Rollout," *Computerworld*, February 4, 2002, p. 16. Reprinted with permission from *Computerworld*.