Software Advice™
How to Avoid ERP Implementation Failure
Success Stories and Key Considerations
Introduction

Enterprise resource planning (ERP) software can be the glue that holds a company together. When implemented successfully, it gives executives near-total visibility into every aspect of operations. But here at Software Advice, we often hear about failed implementation projects that resulted in financial loss—or worse—for the organization.

While it’s true that implementations can go wrong, it’s also true that failure can be avoided if company leaders simply learn from the mistakes of others.

To this end, we examined 22 high-profile ERP implementation projects from the past decade that were dubbed “failures” by software consultants and industry publications. Our findings will help you understand where others went wrong—and what you can learn from them to ensure a smooth implementation at your organization.

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For many executives, implementing new ERP software can seem daunting. Beyond the system cost, resources may need to be diverted to implementation, employees will need to be trained to use the software and key business processes may need to be restructured. What’s more, failed implementations can bring harsh consequences.

Given all this, it’s understandable that executives might be anxious. Of course, running slightly behind schedule or spending a bit more than expected on implementation will not necessarily spell doom for an organization. But when those problems begin to compound, it can paralyze the entire company.

Broadly speaking, ERP implementation failure occurs when the project does not meet one or more of its key goals, which can include:

- On-time implementation
- On- or under-budget implementation costs
- Minimal disruption to business operations
- Improved organizational efficiency
- Reduced operating costs
- Increased sales or revenue

To learn more, we looked at the common factors behind the implementation failures in our sample, culled from news reports, blog posts, Securities and Exchange Commission (SEC) filings and court dockets.

One critical thing to understand is that ERP implementation rarely fails because of the software itself. Indeed, only 18 percent of the failures we examined were due to buggy software (and of those that were, many were a result of the organization’s own hefty customizations).
Why ERP Implementation Projects Fail

Most Common Reason for ERP Implementation Failure

- Poor change management: 50%
- Insufficient functionality: 36%
- Consultant issues: 36%
- Poor governance: 32%
- Vendor issues: 27%
- Behind schedule: 27%
- Over budget: 23%
- Buggy software: 18%
- Shareholder revolt: 5%
- Economic factors: 5%

Most Common Reason for ERP Implementation Failure

Poor change management—which includes inadequate training and executive planning—was a driving factor in half of the implementation failures in our sample. Indeed, it’s not enough to merely train employees to use the new system. It is also critical for managers to understand and explain how adopting the system will impact staff’s core responsibilities—while communicating the benefits the new software will bring.

“By getting buy-in before people even see the software, you are more likely to keep them on board. There is absolutely no point in sweeping users’ objections under the rug. You have to acknowledge them, address them when necessary and dampen the fire before it spreads.”

—Hannah Lincoln
ERP Implementation Consultant for U.K.-Based Firm Itas
As an example of poor change management in action, consider the case of Avon.

On paper, Avon’s $125 million gambit to implement a new order management system as part of its ERP package made financial sense. For years, the multinational cosmetics conglomerate had relied on manned call centers to process orders from the firm’s door-to-door sales representatives. But with a new mobile order-processing system provided by SAP that the company decided to adopt, Avon reps could now fill a customer’s order at the tap of a finger from their smart device—eliminating the need for call centers. This modernization was supposed to save Avon over $10 million per year. Yet when the new system was rolled out in Canada, it had quite the opposite effect.

Avon sales reps, used to phoning in their orders, struggled to adapt to the new system. The user interface, while functional, had a steep learning curve for the sales reps, many of whom were not digital natives.

On top of that, many of Avon’s most successful sales reps lived in rural areas with scant internet access—further compounding the problem. Sales reps left the company in droves due to the changes made to their workflow.

The Avon debacle perfectly illustrates this basic principle of ERP implementation: Getting buy-in from end users and ensuring they are adequately trained on how to use the new system is critical for implementation success.

“The world of consumer software has become easy and simple to use, and has trained users to expect that business software will follow a similar model. And if it doesn’t, people are much less patient than they were in the past.”

—Michael Krigsman
An Independent Industry Analyst
It’s Not the Software, It’s You

In 36 percent of the failures we examined, the problem stemmed from the organization’s functional requirements for the software not being met.

In such situations, the organization, its implementation consultants and the ERP vendor all share the blame: Typically, it’s a combination of:

• The organization not doing its due diligence in researching the system

• The consultants not fully understanding their client’s needs

• The vendor over-hyping the system’s capabilities

Consider what happened when one manufacturing firm didn’t do its homework. Back in 2011, Group Manufacturing Services, a plastics and metal manufacturer, began implementing a new ERP system. From the get-go, the implementation was a mess—largely because the company took it on without the assistance of the vendor’s implementation services.

During the implementation, the company realized that the system would not support a critical function out of the box: According to PC World, the platform could not support the manufacturing firm’s quoting system without a customization that could cost as much as $24,000. This prompted the company to renege on its contract and file a lawsuit against the vendor.

Ultimately, the court dismissed the case, and the company was sent back to square one—presumably with lighter pockets. Had the company researched the system’s capabilities more thoroughly ahead of time, the whole situation might have been avoided.

Too often, an organization’s in-house IT team is not given a voice during the initial selection and early planning phases of ERP software selection, despite having the most in-depth knowledge in the company about the technical requirements for its IT infrastructure. Which brings us to our next point.
A discussion on user-driven news website Reddit’s “Tales From Tech Support”—a forum for IT professionals to rant and rave about their jobs—encapsulates this problem perfectly.

According to one anonymous IT professional, management at his firm selected a new ERP system without consulting the IT team, giving them only one month to prepare for implementation.

The IT team had never used the selected ERP system before, and their questions surrounding data storage, security and migration were repeatedly ignored by managers. To top it off: Despite the vendor recommending a six-month implementation period, management wanted it done in three.

Suffice it to say, management’s unrealistic expectations and poor understanding of what the IT team needed to successfully manage the project complicated an already messy implementation. The original go-live date was eventually pushed back by an entire year.

To make matters worse, the anonymous poster says, the head IT manager left the company midway through due to the frustration he experienced with the project.

One user puts it aptly:

“Management buying ERP software without even asking IT about it screams ‘this boat will sink’ at enough decibels to sweep away a metal concert.”
Taking Time to Test Software Helps Smooth Implementation

So what factors drive a smooth implementation? According to Lincoln, two of the smoothest implementation projects she consulted for shared a common theme:

“Both had very hands-on team leaders who took the time to get to know the software thoroughly before implementation—and they also took the time to test the software in depth,” she says. “In my opinion, this is the most critical element to any software implementation.”

Taking software for a test drive sounds like common sense. However, as with buying a car, taking a spin at the dealership is no substitute for having a mechanic check it out.

Shaun Butler, regional CPO for ERP vendor Syspro Asia-Pacific, shares a story of a memorably successful implementation with a sheet metal manufacturer.

What made the implementation successful, he says, was “meticulous scoping, planning [and] attaching all actions in the organization to a workflow, and then optimizing for that.” It is critical, he continues, to allow “all stakeholders equal discussion and buy-in [and] training, and [to have] experienced, knowledgeable consultants on-site.”

Another critical factor is flexibility: As with many things in life, implementations rarely go as planned. For example, a custom feature might take longer to develop, or changes in personnel might cause project delays. As such, project heads and decision-makers have to be adaptable.

“Flexibility is also required, as some decisions might need to be revisited at a later date when skill, trust and resources are available,” Butler explains.
Not every ERP implementation is a horror story—far from it, in fact. When carefully and properly implemented, modern ERP packages can provide a tremendous return on investment while giving stakeholders unsurpassed visibility into their firms’ inner workings.

To ensure a smooth implementation, here are some best practices to keep in mind:

**Practice proper change management.** It’s frustrating for employees to come into work one day only to find that their workflows have been dramatically changed. Begin training employees on the new system early, and consider how the new system will often force them to learn new processes or tools.

Further, make sure to always address any problems or concerns workers might have. In some cases, it’s a good idea for upper management to “shadow” employees when they are completing tasks that will be directly impacted by implementation, in order to better understand how their workflows will change.

**Don’t rush it.** Implementations take time, and unrealistic time frames only create more problems. Many factors can determine an implementation time frame—but in general, a small to midsize company can expect the process to last anywhere from six months to two years.

“Trust your implementation teams when they give you a time frame,” Lincoln says. “You are paying for their expertise, so believe them. Trying to force a project to deliver within an unrealistic time frame is a recipe for disaster.”
Best Practices for Avoiding ERP Implementation Failure

Engage and involve your IT team. There’s a reason why you’re in the executive suite while your IT manager is in the server room: You’re best at running a business, and they’re best at dealing with your company’s technology needs.

Respect the fact that your IT team are the experts, and defer to their judgment when possible.

Take the time to listen to their concerns, and ensure they have the support and resources they need from other departments to execute on the project.

During the selection and implementation process, solicit their feedback and make sure that there are no lingering issues concerning data migration or training, for example, that could boil over halfway through the implementation.

Know what you need, and know what you’re buying. It’s critical to ensure that the vendor you’re buying from can provide the functionality you need.

While vendors generally have the common sense to not deliberately mislead clients, critical technical requirements can fall to the wayside during negotiations—especially if a firm’s decision-makers are not independently confirming that the vendor will be able to provide all features and functions necessary.

In addition to demoing potential new systems, decision-makers should seek outside, third-party advice from current users and/or from consultants.
Implementation failures often reveal the symptoms of pre-existing, underlying problems within an organization. While no implementation will be perfect, smart planning and strong communication will go a long way.

If you need more guidance, call one of our ERP Software Advisors at (844) 687-6771. In just 15 minutes, they can help you pick the right ERP system for your company.

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Conclusions

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