Chapter IV

ERP Software Selection — Widening the Current Debate

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ABSTRACT

This chapter reflects on the nature of managerial decision making in the case of ERP projects. It draws on the increasing volume of organisational ERP literature now being published, but also attempts to draw lessons from the traditional research on decision making processes carried out over the last thirty years. This chapter documents the early stages of a larger research study, which is reported in various chapters in the book. Its main objective is to present a literature-based model, which integrally covers the phases which organisations go through (or should go through) when purchasing ERP packages, from the identification of the problems facing them to the review of the outcomes of the ERP projects. This

represents a departure from current ERP literature, which has often focused on the software selection phase as if it were the key to organisational success and neglects the issue of organisational fit – i.e., the extent to which the business model underlying the ERP package selected fits the way an organisation conducts its business. We conclude from our observations that organisations are not well prepared when kicking off their ERP projects and that this may explain why many instances of relative ERP failure have been reported.

INTRODUCTION

ERP systems are integrated, enterprise-wide software packages that use a modular structure to support a broad spectrum of key operational areas of the organization. They are widely acknowledged as having the potential to radically change existing businesses by bringing improvements in efficiency and in the implementation of optimized business processes (Rowe, 1999). One of the key reasons why managers sought to proceed with difficult ERP projects is to end the fragmentation of current systems, to allow a process of standardization, to give more visibility on data across the entire corporation, and, in some cases, to obtain or maintain competitive advantage. Thus, ERP projects have been described as strategic projects with successes or failures that will have great impact on organizations (Rowe, 1999; Shakir, 2000; Wood & Caldas, 2000). Shakir (2000) concluded that ERP projects are expensive and time consuming, with costs typically exceeding US$100,000 and a timeframe for evaluation, selection, and implementation of an ERP system between six months and two years.

One key aspect of ERP projects that was reported by many authors is that failed implementations can be costly for the implementing organization. Foxmeyer (a multibillion dollar firm) paid the ultimate price, as they went bankrupt after failing to implement SAP over a three-year period (Kalakota & Robinson, 1999). Few ERP implementations are entirely successful, with approximately half failing to meet the implementing organization's expectations, due in most part, to an underestimation of the effort involved in change management (Stefanou, 2000; Appleton, 1997). Furthermore, it is estimated that approximately 90% of ERP implementations end up over-time and over-budget, due to poor cost and time estimations (Kelly et al., 1999; Shanks et al., 2000) and changes in project scope (Shanks et al., 2000).

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