


Failure Case Studies and Challenges in ERP Integration

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ABSTRACT

The 21st century recognizes the importance of information as a vital resource, so it is studied, researched, and improved to accomplish the performance objectives set by an organization. To sustain cohesive business reliability and growth, information sharing and communication are essential. enterprise resource planning (ERP) software integration is seen by many organizations as a way to manage their integrated information flow more effectively under increased competitive pressure. The implementation of such a project for a company is very beneficial because it revolves around performance and formality, both of which are highly important and complex for organizations. However, due to the ERP project implementation budget, time, and resources, this type of project is tricky. In this context, and based on the principle that people learn more from failures than from successes, the authors are interested in this article about the difficulties, the stakes, and the causes of ERPs integration failures reported in the literature to make recommendations and learn from these case studies.

KEYWORDS:

Enterprise Resource Planning, ERP Failure Causes, ERP Implementation, ERP Integration, ERP Selection

1. INTRODUCTION

Companies are currently struggling to survive in a complex and evolving environment (Ghani et al., 2020). They face several problems, such as market saturation, intense competition, and more demanding but less loyal customers. In such an environment, the competitiveness of companies increasingly depends on their flexibility and ability to innovate, both in their organization, in their way of producing, and in their way of interacting with customers and suppliers (Oghazi et al., 2018). However, the main obstacle these companies face is obtaining accurate data and information and adequate interfaces between the company's different functions. Because of that, several companies have started to install ERP systems to eliminate the obstacles of their legacy systems and improve interactions and communication with their customers and suppliers (Ullah et al., 2018).

Enterprise resource planning, or ERP, is “*a software system with integrated functions for all major business functions, such as production, distribution, sales, finance, and human resources management. A single package typically replaces many previous packages*” (Hawari & Heeks, 2010). The ERP is a centralized enterprise resource management system including different modules (Sales, Marketing,

DOI: 10.4018/IJIDE.311512

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CRM, and Finance), covering all the company's critical functions (Klaus et al., 2000). Therefore, its prominent role is to provide relevant information to concerned company departments, avoiding any input duplication. The ERP stores more and more input data, which must be filtered and redistributed.

Some benefits of ERP are reported in (Momoh et al., 2010); ERPs are solutions to the problems of legacy systems; they have reduced development risk. In addition, they enable increased global competitiveness and business efficiency.

However, implementing an ERP is a long and complex process (Saxena & McDonagh, 2019; Prasetyo et al., 2019). Therefore, many reports stated that 70% of ERP implementations fail to deliver the estimated benefits. Therefore, there have been many cases of failures that have impacted business performance (Wong et al., 2005). Some failure statistics reported in the literature are:

- Between 50% and 75% of U.S firms experience failure.
- One recent survey revealed that 65% of executives believe ERP implementation has at least a moderate chance of hurting their business.
- Three-quarters of the ERP projects are considered failures, and many ERP projects end catastrophically.
- Failure rates are estimated to be as high as 50% of all ERP implementations.
- 70% of ERP implementations fail to deliver anticipated benefits.

In this paper, we will examine, through literature, the cases of failure of ERP implementations and pinpoint the major causes of these failures to make recommendations and learn from these case studies.

The article is organized as follows: Section 2 describes some prominent case studies that reported ERPs implementation failures. Section 3 describes the critical factors for the success and failure of implementing the ERP from the case studies. Section 4 highlights interpretations, analyses, and recommendations. Finally, the last section concludes the article and presents its perspectives.

2. ERP CASE STUDIES

Case analysis is used to answer the question, «What factors affect ERP implementation failures? ». ERP implementation may be a challenging enterprise project that involves inevitable interactions between ERP systems and implementing contexts.

2.1. Cases of Companies in China

2.1.1. Case 1: CosmeticCo

CosmeticCo is a Chinese cosmetics company; they found problems with their existing financial software, so they decided to implement an ERP package (Xue et al., 2005). The company chose Intentia AB as the software provider and selected Legend Advanced System (LAS) as the service provider and MOVEX as the software.

The problems detected throughout the implementation process were that the MOVEX software package was not translated into Chinese. The English words in the user interface confused employees. The formats of the financial tables and reports generated by MOVEX were different from what the Chinese government required and incompatible with the Chinese finance standards. For example, the sign of negative numbers is placed after the numbers rather than before them. In addition, numbers and different signals in financial reports overlapped and became unidentifiable. As a result, MOVEX generated production and purchase reports lower speed than previous manual strategies. The service provider, LAS, was not comfortable with the MOVEX

Computer code and did not follow quality implementation procedures. As a result, LAS still had no answers for the issues presented.

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