

Legal Truth and Consequences for a Failed ERP Implementation

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EXECUTIVE SUMMARY

This case is inspired by a complaint and response filed in the U.S. court system. One of the case's authors served as an expert witness in the case. Because the suit settled before going to trial, some of the details of the case are not part of the public record; therefore, the names of the companies involved have been changed and certain details disguised to protect the identity of the litigants. However, the essentials of the case remain faithful to the actual circumstances and provide a basis for analysis of decision points and a discussion of costs and responsibilities for the issues in the case. A leading manufacturer of building materials in the United States selected an integrated enterprise resource planning (ERP) system to install on its existing hardware infrastructure. This case describes the ERP selection, implementation and migration challenges, impaired functionality, and the business and legal issues that ensued due to the software's incompatibility with the hardware. With the software not performing as expected, the vendor withdrawing its software support, and costs escalating, the manufacturer sought legal counsel.

Keywords: AS/400, Enterprise Resource Planning (ERP), Implementation, Incompatibility, Integrated Systems, Legal Action, Manufacturing, Requirements Analysis, Vendor Selection

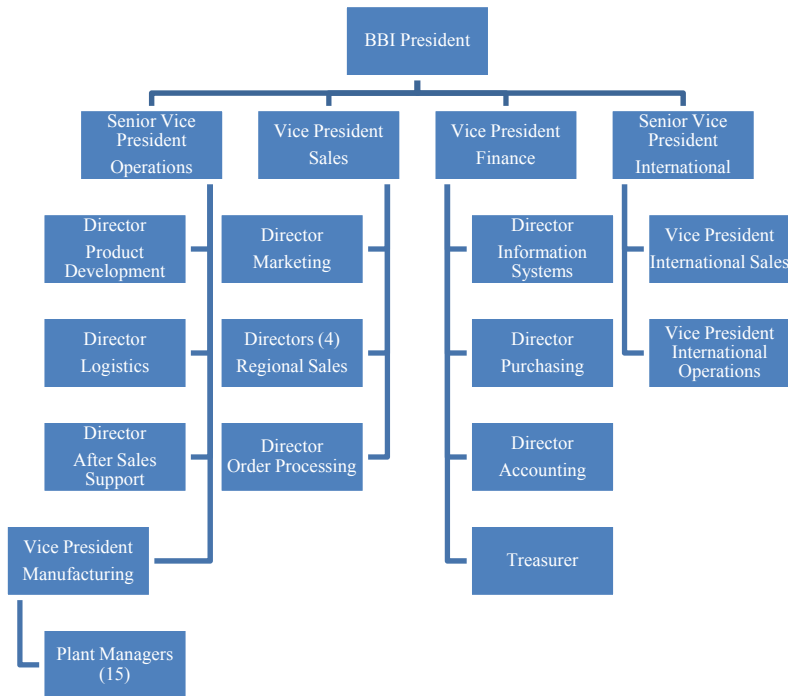
ORGANIZATION BACKGROUND

Building Blocks, Inc. (BBI) is a large producer of residential and commercial roofing and insulation products, with manufacturing and sales facilities in the United States and Canada. Founded in the early 1980s as a family business with a single manufacturing facility, the company has become one of the largest building materials manufacturers in the world with global product distribution. The company describes itself as a fast-growing, innovative and environmentally responsible manufacturer of quality building materials.

BBI is a privately-held corporation with a work force of approximately 1,700. It manufactures 26 different products at 15 factories located in 10 states. Its sales force, operating from 14 offices strategically located in various states and Canada, had 2007 sales of \$137,000,000 in North America, China, and the European Union.

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Figure 1. BBI organization chart



BBI is organized with traditional functional divisions, with a separate division devoted to international sales. Each of the vice presidents, with the exception of the vice president of the international division, was a long-time company employee. The Vice President (VP) of the international division had previously served as president of one of the Canadian companies acquired by BBI. The VPs for sales and operations had both risen through the ranks as BBI grew, and had little formal education in their respective functions. The VP for finance had been employed by BBI almost since its founding, having been recruited from a Big Four accounting firm shortly after BBI began to grow. Each of the VPs had ownership in the company, though the President and other family members held a controlling interest.

As can be seen from the organization chart presented in Figure 1, the VP for finance was responsible for information and systems functions within BBI. None of the other VPs had much experience with information systems, and generally deferred to the VP - Finance. While highly knowledgeable of accounting and finance, his knowledge of information systems was primarily from a user perspective. He was, however, acutely aware of his limited knowledge of technology and as the company grew, knew more expertise was needed. After creating a new position he had hired an extremely competent information systems manager to be the Director – Information Systems.

This individual had earned a master’s degree in computer science from a large state university, and had been employed immediately upon graduation by a large oil company. She was subsequently employed as an assistant director of information systems by a large oil tanker manufacturer. With a combined eleven years of experience in these two positions, she was hired by BBI to be the new Director. In the six years since she had joined the company, she had re-

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