Week 4 Case Study

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## Example #1 of ERP Failure

One prominent example of a very prominent ERP failure, as noted in the scenario description, is the Hershey’s Chocolate company ERP failure of 1999. Essentially what happened in this failure is that there was a supply chain breakdown that left the giant company reeling to try and fulfill $100 million of orders that had been placed (Gross, 2013, p. 1). A large majority of what caused these supply chain issues was that Hershey’s extensive and costly IT systems suffered issues that brought business processes and operational activities to a halt. In studying this example of an ERP implementation failure, one can see the process play out from start to failure, and some of the reasons why this may have occurred. To start, Hershey’s set out to upgrade some of its legacy systems and to do this the company selected a couple of outside vendors to handle the upgrades and transition. Back in 1996 the company was told by the vendors that it would take at least 48 months to fully implement the desired changes, but despite being told this numerous times Hershey’s was set on having only a 30 month time table for the system to be in place and running.

As you can begin to already see, rushing a project on this large of a scale (in the hundred million dollar range) is a recipe for disaster and is one of the key signs of risk in implementing an ERP effectively. One of the now-ironic things about this specific scenario as well is the fact that one of the reasons Hershey’s wanted the system on the time table that they did was in order to outpace the Y2K phenomenon and also be ready for the holiday season that came along with it. So the time table as you can see was 1996 – 1999 when they recommended time table was in fact a full 4 years. In order to squeeze the system rollout in this much shorter window, many of the critical aspects of the system were simply skimped on and corners were cut all over the place that ultimately led to its downfall. According to Gross (2013), Hershey’s even had most of the $100 million worth of products (in this case Kiss and Jolly Rancher orders) in stock, but simply could not get the systems running in the correct way to even process let alone fulfill the quantity of orders associated with this dollar amount (p. 2).

Aside from the obvious which we’ve touched on, some more aspects of what made this ERP implementation a colossal failure was committing mistakes such as forgoing testing phases in order to push the system out in time, or even under, to meet the company’s demands of 30 months. When no testing is performed, you simply cannot count on all the minor pieces of a $100 million system to just magically work; without some of the underlying pieces operating correctly, the overall system will obviously be hindered and in Hershey’s case the system was completely non-functional because of it. Gross describes testing as being the safety net which eliminates critical issues before a system goes live, and also lists three distinct phases of testing: Conference Room Pilot Phase in which frequent users validate key processes, Departmental Pilot Phase in which a different set of users test the system to meet realistic criteria, and the Integrated Pilot Phase which tests the day-to-day modules of the system (p. 2). Hershey’s decided to forgo most of this testing and actually rolled the system out all in one concurrent implementation. As you can imagine, the combination of an unrealistic time table for the ERP implementation, cutting significant corners such as testing phases, and also aiming for the system to go live right at holiday season were all a recipe for disaster and serves as one of the most costly ERP implementation failures to date.

## Example #2 of ERP Failure

Another infamous case of a an ERP implementation failure is the Federal Bureau of Investigation’s (FBI) failed system development and implementation, better known as the ‘Virtual Case File’ project. Development of the software system began in 2000 and persisted until 2005. The Virtual Case File project was part of a larger overall project called ‘Trilogy’ which aimed to modernize and update the FBI’s IT systems. As it was called Trilogy, there were 3 overall parts to the modernization of systems: upgrade software and hardware for the bureau’s agents, upgrade the communications network of the FBI, and last but not least our point of interest for ERP failure, upgrade the case management system that the FBI used (hence the Virtual Case File project). Similarly to the Hershey’s ERP failure, the Virtual Case File project was bound for failure due to a pushed up completion time due to the September 11, 2001 terrorist attacks which highlighted the need for more advanced and modern systems. As you can see, pushing up the time table, which was originally scheduled for mid-2004, to end of year 2003 is a recipe for disaster that includes many similar aspects to the Hershey’s ERP failure such as corner cutting and failure to fully realize and test systems.

What’s unique about the Virtual Case File project is that the other parts of the ‘Trilogy’ project were implemented while the Virtual Case File project ended up being the failure. Some of the reasons that this portion of the project was not implemented correctly or even at all (the system was ultimately scrapped and abandoned) was largely due to many issues from the outset and the fact that the FBI selected outside vendors to contract the work to. The outside vendor somehow met the FBI’s requirements in terms of deadlines for delivery of components to the application, but these components never worked as intended. In the process, the vendor collected over $100 million in payments that ultimately were dollars allocated by congress and presumably came out of tax-payers pockets. Eggen (2006) describes the vendor’s approach to meeting the requirements without a functional system as being a “trial and error” approach that the FBI had set up to their own fault and ultimately caused the vendor to be able to get away with collecting payments for inadequate software components (p. 2).

One of the things that led the project to failure and allowed the vendor to never fully deliver working components was mismanagement of behalf of the FBI’s project team itself. The outside software vendor has been quoted as saying that they “tried to warn the FBI that its … approach to the project would not work” (Eggen, 2006, p. 2) and ultimately reasons for failure were weaved in this approach due to aspects like poor architectural decisions, turnover in management team, unclear and changing specifications and goals as well as just general scope creep. One of the ultimate points of contention of why the project may have failed is that due to the sensitive nature of the subject matter, being case file management system, the FBI perhaps never fully entrusted or made clear to an outside vendor just what the requirements were precisely and you can see from this opinion why many of the above mentioned reasons for failure would occur. As Eggen (2006) indicates, this opinion is generally the consensus among those analyzing the ERP failure and was officially the conclusion of NRC researchers who were tasked with analyzing the failure of the project. Ultimately after an extended period of time and failure of benchmarks no tangible software system was ever fully realized, which caused the project to finally be abandoned before more money was pumped into it (nearly $200 million by this point). In both of these ERP failures, you can see clear patterns that lead to devastating failures in implementation, chiefly an unrealistic time table and lack of testing which are sure-fire signs of an undeveloped system.

## References

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