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# 9 REAL REASONS WHY ERP IMPLEMENTATIONS FAIL

— BASED ON THE PROFESSIONAL EXPERIENCE OF  
SENIOR DYNAMICS AX CONSULTANT,  
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# 9 REAL REASONS WHY ERP IMPLEMENTATIONS FAIL

## ABOUT THE AUTHOR:

Diann Spencer is a Senior Dynamics AX Consultant who has been with Western Computer since 2014. With over 20 years of experience in the Microsoft Dynamics space, including 10 years at Microsoft, Diann has assisted in dozens of implementations across the United States. Diann has used her experience to answer the ever-pressing question "Why do ERP implementations fail?" She is sharing her experience and knowledge with us in this original white paper.

## Evaluating the real reasons why ERP implementations fail

In my 20+ years of ERP system implementation, I have participated in dozens of ERP implementations. Most were successful, but a few were not. In reflecting on the failed implementations, I have observed that the software itself is rarely the source of the failure.

This had me thinking: if it's seldom the software, why do a significant number of ERP implementations fail? What can you do to ensure a successful implementation for your company? We will look at these important questions and offer some tips to help you succeed.

### [1] FAULTY PRIORITIES WHEN SELECTING SOFTWARE

As part of a Deloitte & Touche study, companies looking for a business software system (ERP, CRM, HRMS, or accounting software) were asked to name the top ten criteria for selecting a system. The study responses were separated into two groups – those companies who were selecting their first business system and those who had gone through previous system selections. The ranking was significantly different between these two groups.

### First-time buyers ranked their evaluation criteria as follows:

1. Price
2. Ease of implementation
3. Ease of use
4. Software fit to the business
5. Functionality of the software
6. Software compatibility with existing hardware
7. Growth potential of software
8. Level of support provided by experienced implementation partner
9. Quality of documentation
10. Software publisher's track record

Second-time and subsequent buyers ranked the selection criteria differently. Assuming that they have learned from their previous selection decisions, their rankings are worth reviewing separately.

### Experienced buyers ranked their criteria as follows:

1. Level of support provided by experienced implementation partner
2. Software publisher's track record
3. Software fit to the business
4. Growth potential of software
5. Price of software
6. Quality of documentation
7. Functionality of the software
8. Ease of use
9. Ease of implementation
10. Software compatibility with existing hardware

## [2] LACK OF REALISTIC RISK ASSESSMENT AND/OR BENEFIT ANALYSIS

Business management software, including ERP, is not strictly an IT decision. Since ERP software can affect every functional area of the business, ERP decisions are strategic business decisions. Yet many companies make significant decisions about ERP systems without performing the same studies that are required in other important business decisions. Evaluations such as risk assessment, benefit analysis or ROI are often not performed.

The analyses do not need to be elaborate or to the penny, but it is critical that management understands the risks and identifies the areas where the ROI will be achieved (i.e. better inventory planning, more efficient month-end processes). The results of these studies will serve as guideposts for later project decisions (i.e. whether a modification is required in a non-critical business process).

## [3] LACK OF EXECUTIVE SUPPORT AND INVOLVEMENT

Top and middle management must completely buy into the ERP implementation project as a company-wide initiative that will create a new and better way of doing business. If the top and middle management are not **totally** committed, the end users will not be either.

I worked on an ERP implementation project several years ago that was beginning to go off-track. The CEO of the company recognized this and immediately got more involved, even participating in some weekly project meetings, process improvements workshops, and occasional training. He wasn't just popping his head in the door and checking out the doughnuts - he was actively participating. His input was valuable; the teams became more engaged, and the project proceeded successfully.

## [4] THE WRONG PROJECT MANAGER

Once the ERP system is selected, it's not uncommon for management to turn the project over to a subordinate to manage the implementation. The problem is that the subordinate, who is usually chosen from the end user base or the IT department, generally is not given the authority to implement the necessary business process changes or to stop unnecessary customization requests (See: Failure to Adopt Best Business Practices in Selected ERP System).

The most successful ERP projects are led by a member of the management team who has actively participated in the business analysis, software selection, and process improvement efforts. When selecting your project manager, choose someone who has a lot to gain (or lose) from the ERP system. Other companies have had success in engaging an outside project manager who is not part of the implementation partner team.

At a minimum, 5-10 percent of the implementation budget should be set aside for project management.

## [5] FAILURE TO ADOPT BEST BUSINESS PRACTICES IN SELECTED ERP SYSTEM

Widely-used ERP systems have been around for years and have been implemented by thousands of companies. These ERP systems have evolved to incorporate best business practices for most business processes.

However, too often the accepted best business practices in the ERP package are not implemented due to resistance to change by end-users. This is primarily because of one of two reasons: (1) the end-user only knows the existing processes or (2) the end-users have a vested interest in the current processes, leading to costly program modifications to replicate those (often unnecessary or unproductive) existing processes in the new ERP system.

On another previous ERP implementation project in which I was involved, the Billing Department needed a very elaborate process for preparing and approving customer debit/credit memos. This process would have required significant modifications to meet. When we starting delving into the "Why?" of the requirement, we determined that the Billing Department issued hundreds of debit/credit memos monthly because the company's current system couldn't price customer invoices correctly due to not having enough decimal places. Once we identified the basis of this requirement and ensured that the selected ERP system would calculate costs accurately and reduce the number of debit/credit memos to almost zero, this requirement was eliminated, and many dollars were saved.

When making your ERP software selection, examine the standard processes in the software. Can you adapt your company's practices to the ERP system's best practices? The answer, for most business processes, should be: Yes.

The exception to this, however, might be selected critical business processes identified in the Benefit Analysis (See: Lack of Realistic Risk Assessment and/or Benefit Analysis) or processes which truly give your company a competitive advantage or contribute to your USP (unique selling proposition). But, these should be the exception.

### [6] INSUFFICIENT IMPLEMENTATION BUDGET

The rule of thumb is that the implementation budget should be one to three times of the list price of the software package. Budgets are variable based on factors such as the size and standardization of the organization, number of sites, and the amount of modification required.

The most significant cost of the ERP implementation is not the software, but the cost of the implementation. Budget accordingly.

### [7] INADEQUATE TRAINING

There are two ways to approach training: (1) have the implementation partner provide all the training or (2) utilize a "train the trainer" approach. The latter approach, where the implementation partner trains a few individuals in your company who then train the rest of your staff, is better as it develops expert users within your company. These expert users can become a great first-line-of-support during and after implementation.

### [8] LACK OF COMMUNICATION

A communication plan is essential to project success and should be included in the overall project plan.

Employees want to know how changes are impacting their day-to-day work. You need to provide them periodic updates about the project to ensure that they feel invested in, and confident about, the new system. If end users do not adopt the new system with enthusiasm, your project will not succeed.

### [9] FAILURE TO PROVIDE FOR SUPPORT NEEDS

It seems evident that support services are critical to any successful ERP system implementation. For too many buyers, however, support is an afterthought or near the bottom of their list of priorities. Note that first-time buyers placed support at number eight on their priority list whereas experienced buyers placed it first (as explained in point 1, Faulty Priorities When Selecting Software).

Ongoing system support will be initially provided by the implementation partner and then by your internal resources. Ongoing system support may include day-to-day technical support for users, upgrades to the software, new reports, system modifications and more.

Be sure that help desk resources can address the full spectrum of needs and skill levels. Is remote support necessary and available? Is 24/7 online support needed and possible? What about online support resources like videos or training manuals?



“...many of these risks can be mitigated with proper planning and management of the implementation process itself.”

## SUMMARY

In conclusion, implementing an ERP system is a vast undertaking with enormous potential pitfalls and benefits. The good news, as we discussed in this white paper, is that many of these risks can be mitigated with proper planning and management of the implementation process itself. The right ERP partner plays a critical role in the success of the implementation as well as the long-term success of your system. At Western Computer we have a proven implementation methodology to ensure your ERP implementation stays on track. Contact us today and speak to a Dynamics expert to learn how Microsoft Dynamics can improve your business operations.

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