Forecasting ERP Implementation Success - Towards a Grounded Framework

J. Magnusson  
*University of Gothenburg, magnusson@informatik.gu.se*

A. Nilsson  
*University of Gothenburg, anilsson@informatik.gu.se*

F. Carlsson  
*Siemens Business Services, fredrik.carlsson@siemens.com*

Follow this and additional works at: [http://aisel.aisnet.org/ecis2004](http://aisel.aisnet.org/ecis2004)

**Recommended Citation**  
[http://aisel.aisnet.org/ecis2004/75](http://aisel.aisnet.org/ecis2004/75)
FORECASTING ERP IMPLEMENTATION SUCCESS –
TOWARDS A GROUNDED FRAMEWORK

Magnusson, J., University of Gothenburg, Department of Informatics, PO Box 620. SE-40530
Gothenburg, Sweden, magnusson@informatik.gu.se

Nilsson, A., University of Gothenburg, Department of Informatics, PO Box 620, SE-40530
Gothenburg, Sweden, anilsson@informatik.gu.se

Carlsson, F., Siemens Business Services, 5F SOL, Landsv 32, SE-16972 Sundbyberg,
Sweden, fredrik.carlsson@siemens.com

Abstract

The continuing soar in popularity when it comes to standardized information systems sold en masse
under the labelling of Enterprise Resource Planning (ERP) Systems is somewhat kept under control by
the ever flowing stream of reports from the industry of implementations gone bad. According to some
researchers it is possible to assume that as many as 90% of all initiated ERP implementation projects
can be regarded as failures as a result of changes in scope, prolongation of the project time or simply
budget overruns. With the implementation of an ERP system being a very costly and risky endeavour,
organizations considering “getting on the bandwagon” stand much to gain from pre-emptively
forecasting the probability of success for an ERP implementation in their enterprise. Given this, the
purpose of this paper is to investigate a possible conceptual framework for forecasting ERP
implementation success and discuss the role of such a framework in a software based tool. This was
achieved through an initial in-depth literary review aimed at finding factors affecting the outcome of
the ERP implementation projects. These results were then communicated to an industrial support
group comprised of possible ERP implementation stakeholders. After lengthy discussions concerning
the usability, validity and reliability of the proposed list of factors, a conceptual framework was
agreed upon for forecasting ERP implementation success. The framework was then tested against a
number of possible stakeholders outside the industrial support group. As the results show we have
been able to create a conceptual framework for forecasting ERP implementation success that is
currently in the second wave of testing. In this paper we then specifically discuss the future research-
and usage implications of our findings. As a conclusion, a draft for future research is presented.

Keywords: ERP, Implementation, Forecasting
1 INTRODUCTION

With the overall soar in popularity for enterprise wide systems such as MRP (during the 1970’s) MRPII (during the 1980’s) and ERP (during the 1990’s) (See for instance Al-Mashari (2001) and Schtub (1999) for a historical overview of the evolution of enterprise wide systems), any possible business benefit that these systems bring to the adopting enterprise is directly dependant upon a successful implementation.

Parr & Shanks (2000) take a further look upon why there seems to be such an abnormal failure rate for the implementation of ERP and go as far as quoting Martin (1998) who stated that as many as 90% of all ERP implementations are either late or over budget. If the success of a project (such as an ERP implementation) is supposed to be measured as for instance Whyte & Fortune (2003) stipulate (with the variables time, budget, specifications and consequences of project on organization), this would lead to a failure rate of 90% for all ERP Implementations.

These figures might at first seem dismal, but with the process of ERP implementation encompassing both the actual implementation of a standard system and a more or less extensive change in the fundamental process-structure of the enterprise to fit the processes supported by the standard system, they are not as extreme as might be expected. In fact, Procaccino et al (2002) state that 85% of all IT-related projects fail and with this relative high failure rate for projects spanning the entire spectra of complexity, a success rate of 10% for complex IT-related projects such as ERP implementation projects might even be considered acceptable.

With the current status of the IT-market being somewhat in turmoil, any estimation of the global ERP market is indicative at most. However, according to Yen, Chou & Chang (2002), over 70% of the Fortune 1000 companies have implemented core ERP systems and the license fees for ERP systems in Europe comprise of over half of the total software license fees in Europe. When it comes to the future size of the worldwide ERP market, estimates vary from 11,90 Billion $US in the year 2007 (ARC Advisory Group, 2002) to 66.6 Billion $US in the year 2003 (AMR Research, 1999).

As many researchers previously have pointed out, the risks involved with implementing an ERP are substantial (see for instance Davenport (1998), Scott & Vessey (2000) and Sarker & Lee (2003) for an overview of failed ERP implementations). However, as the boom in the ERP market has shown during the recent years, this does not intimidate the adopters.

Given the complex nature of the implementation of enterprise wide and enterprise critical systems, and the often painful and arduous experience that the ERP adoption process leads to, the purpose of this paper is to present a conceptual framework for forecasting the probability of ERP implementation success and discuss the future research- and usage implications.

The process of ERP implementation is in this paper regarded as any alteration in the current system architecture of the enterprise related to some kind of enterprise wide information system. With this broad definition of ERP implementation, we encompass such alterations to the system architecture as upgrades and continued roll-outs. The notion of “ERP implementation success” is defined as the success of the implementation project, and “probability of ERP implementation success” is measured by to what extent an organization fulfils a number of factors. This paper builds to a large extent on a paper previously presented at the ICEIS 2004 conference on Enterprise Systems in Porto, Portugal.

2 METHODOLOGY

A schematic graph of the research-process is presented in Figure 1 below.
As can be seen in Figure 1, the first step was to identify a number of factors (15) through an extensive literary review (encompassing a total of 155 articles or books) and present these to the Industrial Support group. The factors were then discussed and one factor (Competence) was added along with a division of the now 16 factors into 4 categories. In addition to this a lengthy discussion concerning the usability of the resulting conceptual framework and the scientific validity and reliability was held, creating further input for the academic representatives and their further work with the conceptual framework.

After designing the framework taking all input into consideration the academics decided to distribute the results through a software-based tool with a web interface. This decision was based on previous experience from the researchers stating that the spread out usage of web-based technology would in this way work in our favour, but several other possibilities like workshop-methodology and expert interviews were taken into consideration.

The software based tool ERP Scorecard was designed as simply an electronically distributed version of the questions comprising the conceptual framework. Along with some additional functionality regarding the management and distribution of results, the tool was distributed free-of-charge to 10 organizations currently undergoing some sort of ERP implementation. As the tool underwent initial testing during the summer of 2003 and was redesigned in accordance to the test-results, the end results were a tool ready for extensive dissemination during the late fall of 2003. As part of ongoing research at the University of Gothenburg, the tool pools all data centrally, creating a large database for future quantitative analysis. The results from the testing towards the Industrial Testers (see Figure 1) was information regarding the perceived usability of the software based tool and the conceptual framework, along with data to be used as a means of measuring the validity and reliability of the framework.

3 RESULTS

The conceptual framework is as previously stated a framework comprised of a number of un-weighed factors with the ERP implementation project as a focus. This highlights the link between fulfilment of the factors and a positive outcome of the project, and for the framework to as usable as possible we have based the total level of factor fulfilment on how many of the final 16 factors were fulfilled. For instance; if the responding organization fulfils 12 out of the 16 factors (simply yes or no based on 5 questions per factor), this will result in the forecasting of a 75% probability of success, and in the tool a text describing what the organizations strengths and weaknesses are related to the different factors.
will be presented along with a quick-list of possible future managerial actions to strengthen the identified weaknesses.

A description of the 16 factors with the corresponding literary support can be found in Table 1 below. As shown under the heading of “Factor description”, the object of analysis is the organization.

<table>
<thead>
<tr>
<th>Factor Name</th>
<th>Factor Description</th>
<th>Literary support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>The organization should have a clear, communicated business strategy and an aligned IS/IT strategy.</td>
<td>Aladwani, 2001; Al-Mashari et al, 2003; Al-Mashari, 2001; Cooke &amp; Peterson, 1998; Davenport, 1998; Donovan, 1999; Holland &amp; Light, 1999; Pinto &amp; Slevin, 1987; Schneider, 1999; Stevens, 1998; Umble et al, 2003; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Leadership</td>
<td>The organization should have a strong and committed leadership that has the ability to motivate the employees to change.</td>
<td>Al-Mashari &amp; Zairi, 2000; Al-Mashari et al, 2003; Mandal &amp; Gunasekaran, 2003; Sarker &amp; Lee, 2003; Schneider, 1999; Skok &amp; Legge, 2002; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Support</td>
<td>The organization should have a top management and steering committee of the ERP Implementation project that is highly committed to the implementation and is comprised of individuals with differentiated views of the implementation.</td>
<td>Aladwani, 2001; Kerzner, 1987; Mabert et al, 2001; Mandal &amp; Gunasekaran, 2003; Parr &amp; Shanks, 2000; Pinto &amp; Slevin, 1987; Procaccino et al, 2002; Skog &amp; Legge, 2002; Umble et al, 2003; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Competence</td>
<td>The organization should have individuals with a broad competence of ERP, BPR or other IT-related projects involved in both the steering committee and the entire project.</td>
<td>No clear support found</td>
</tr>
<tr>
<td>Team</td>
<td>The organization should have an implementation project team that is comprised of individuals representing different views and perceptions of the enterprise and the enterprise system.</td>
<td>Mabert et al, 2001; Sarker &amp; Lee, 2003; Schneider, 1999; Skok &amp; Legge, 2002; Umble et al, 2003; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Management</td>
<td>The organization should have an excellent project management for the implementation project and ensure that the management does not present only a business- or technical perspective of the implementation.</td>
<td>Cooke &amp; Davis, 2002; Kerzner, 1987; Kirby, 1996; Mandal &amp; Gunasekaran, 2003; Parr &amp; Shanks, 2000; Procaccino et al, 2002; Skog &amp; Legge, 2002; Umble et al, 2003; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Plan</td>
<td>The organization should have a previously defined and well communicated project methodology that envelops both documentation procedures and clear performance measurements with routines for monitoring progress.</td>
<td>Al-Mashari et al, 2003; Cooke-Davis, 2002; Mabert et al, 2001; Mandal &amp; Gunasekaran, 2003; McDonough III, 2000; Parr &amp; Shanks, 2000; Pinto &amp; Slevin, 1987; Procaccino et al, 2002; Schneider, 1999; Skog &amp; Legge, 2002; Umble et al, 2003; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>External</td>
<td>The organization should have an ability to manage the influence of external consultants in the implementation project and also be able to optimally transfer the knowledge from the consultants into the organization.</td>
<td>Skog &amp; Legge, 2002; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Culture</td>
<td>The organization should have a business culture that highlights the importance of learning, knowledge, past experience and change, as well as a strategy for knowledge management.</td>
<td>Al-Mashari, 2001; Ash &amp; Burn, 2003; Chan, 1999; Cooke-Davis, 2002; Davenport, 1998; Gable et al, 1998; Holland &amp; Light, 1999; Krumbholz &amp; Maiden, 2001; Schneider, 1999; Scott &amp; Vessey, 2000; Soffer, Golany &amp; Dori, 2003; Stevens, 1997; Sumner, 1999;</td>
</tr>
<tr>
<td>Change</td>
<td>The organization should have a fundamental willingness and readiness for change as well as an explicit change management strategy.</td>
<td>Aladwani, 2001; Al-Mashari &amp; Zairi, 2000; Al-Mashari et al, 2003; Ash &amp; Burn, 2003; Hall, 2002; Hammer &amp; Stanton, 1999; Hong &amp; Kim, 2002; Jiang &amp; Muhanna, 2000: Kerzner, 1987; Laughlin, 1999; Mabert et al, 2001; Mandal &amp; Gunasekaran, 2003; Markus &amp; Tanis, 2000; Parr &amp; Shanks, 2000; Schneider, 1999; Skog &amp; Legge, 2002; Umble et al, 2003; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Process</td>
<td>The organization should have a high level of process-maturity and explicit guidelines for process management.</td>
<td>Al-Mashari et al, 2003; Al-Mashari, 2001; Bingi et al, 1999; Cooke-Davis, 2002; Edwards, 1999; Hong &amp; Kim, 2002; Hong &amp; Kim, 2002; Koch et al, 1999; Mandal &amp; Gunasekaran, 2003; Marius &amp; Ashok, 1996; Palaniswamy &amp; Frank, 2000; Skok &amp; Legge, 2002; Soh et al, 2000; Weil &amp; Olson, 1989</td>
</tr>
<tr>
<td>Communication</td>
<td>The organization should have a detailed communication plan and strategy that ensures the successful communication of project plan and progress to all relevant stakeholders.</td>
<td>Aladwani, 2001; Al-Mashari &amp; Zairi, 2000; Al-mashari et al, 2003; Mabert et al, 2001; Mandal &amp; Gunasekaran, 2003; Pinto &amp; Slevin, 1987; Schneider, 1999; Skog &amp; Legge, 2002; Swan et al, 1999; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Technology</td>
<td>The organization should have a clear understanding of the existing legacy environment and the technological aspects involved in the implementation of the ERP system.</td>
<td>Al, Mashari et al, 2003; Al-Mashari, 2001; Bancroft et al, 1998; Barnes, 1999; Bingi, 1999; Harrell et al, 2001; Holland &amp; Light, 1999; Hong &amp; Kim, 2002; Keller &amp; Teufel, 1998; Koch et al, 1999; Mabert et al, 2001; Mandal &amp; Gunasekaran, 2003; Parr &amp; Shanks, 2000; Schneider, 1999; Soffer, Golany &amp; Dori, 2003; Swan et al, 1999; Umble et al, 2003; Xu, Nord, Brown &amp; Nord, 2002</td>
</tr>
<tr>
<td>Training</td>
<td>The organization should have a clear educational strategy concerning the ERP implementation that involves routines for early hands on training for the employees.</td>
<td>Aladwani, 2001; Al-Mashari et al, 2003; Mabert et al, 2001; Mandal &amp; Gunasekaran, 2003; Skok &amp; Legge, 2002; Umble et al, 2003; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>User</td>
<td>The organization should have an implementation process that strives for a high level of user acceptance early on through the use of constant presumptive end-user consultations.</td>
<td>Mandal &amp; Gunasekaran, 2003; Pinto &amp; Slevin, 1987; Procaccino et al, 2002; Skog &amp; Legge, 2002; Whyte &amp; Fortune, 2002</td>
</tr>
<tr>
<td>Empowerment</td>
<td>The organization should have a high level of implementation process transparency and a staff policy that empowers team members, end-users and management.</td>
<td>Aladwani, 2001; Griffith et al, 1999; Hong &amp; Kim, 2002; Mabert et al, 2001; Markus &amp; Robey, 1988; McDonough III, 2000; Parr &amp; Shanks, 2000; Sarker &amp; Lee, 2003; Schneider, 1999</td>
</tr>
</tbody>
</table>

Table 1. Factor name, description and corresponding literary references

During the industrial feedback sessions concerning the first draft of the conceptual framework, a need for the user to see some sort of structure in the 16 factors was identified (see Figure 1 for further information regarding the research methodology). This resulted in the reorganizing of factors into four
overlying categories or that would enhance the usability of the framework. The reliability and validity of such a categorization was considered to be irrelevant, with the need of the future user in sharp focus.

The four categories were identified as Top Management, Project, Organization and System; and they are presented together with the underlying factors in Figure 1 below. As previously described the fulfilment of the factors is in the basic outline of the framework measured by five questions each (Q1-5 in Figure 2), resulting in a total of 80 questions. These questions have been left out of this paper as an affect of them constantly being under revision and testing.

![Figure 2. The resulting conceptual framework](image)

4 DISCUSSION

The proposed conceptual framework is intended to be used in primarily two functions. The first of these is the function of a practical means to study the phenomena of ERP implementations. With a vast majority of the previous research conducted in the field being based on case-studies, we have long sought to create some sort of means for, so to speak, “getting under the skin” of organizations in the midst of implementation. However, according to previous experience (see for instance the gallant and in many aspects sisyphonian work of Joseph Bradley (2003)) we have come to the conclusion that in order to get a cost-efficient response-rate in any form of quantitative study concerning the questions raised in ERP implementations, we need new methods for establishing a relationship with the potential respondents (in the form of organizations).
As a step towards empirically based research within the field of ERP implementation, we believe that the proposed framework with its high level of usability and pragmatic value can be of assistance. We (along with many other researchers) have found that respondents are more prone towards participation if the expected or perceived return on their efforts is evident and outweighs the cost of their time. If we are to design a means of conducting quantitative studies, then we have found that we can not rely on the kindness of strangers, but instead we must create a visible and apparent “return on investment” for the respondent.

The framework is intended to be used (partly) in a software based tool for forecasting the probability of ERP success. This is all and well given the purpose of the framework, but by creating a tool that is marketed under the heading as a support-tool for organizations in the midst of ERP implementation, we are also intending on taking it all one step further. After letting the respondent answer the questions raised in the framework (at present 80 questions) a self-generated report based on more or less binary assessments of the different factors is presented to the user. This report is the return sought after by the respondent, and the initial purpose behind their participation. We get our data, and the respondent gets his or her feedback in the form of a report, which brings us to the second function of the framework.

By introducing a software based version of the conceptual framework into an organization, we have crossed the line between strict observation and action research. The software is an alien artefact intended to be used to forecast how well the implementation WILL work, and thereby it is also a politically charged entity. The pedagogical value of the software is apparent since the framework can be disseminated throughout the organization and in theory, all organizational members can become respondents. By becoming a respondent in an investigation concerning how well the organization (or rather collection of co-workers) fulfils a number of factors, a possible introspective process is initiated. This might in turn be the start of a learning-process where the individual is given the opportunity to reflect on how he or she stands in relation to the different factors. Given this, we see a possible second function of the conceptual framework in the form of it acting as the basis for a pedagogical tool.

With the framework being theoretical and the possible usage of it presented in this paper being hypothetical, the next phase in this research will now be concentrated on factual testing of the framework and approach advocated. This is mainly done through two parallel processes.

The first of these is the testing of the reliability and validity of the framework. By using the framework with corresponding 80 questions as a model, we are currently in the midst of investigating the internal reliability of the factors by reaching out to organizations considering implementing ERP systems. After this, we plan to continue our work by using the model as a basis for following a smaller number of organizations through an implementation (from Initiation to Go live), and thereafter by relating the factual outcome (based on a mix of the organizations self-assessments and our own perceptions) to the previously forecasted outcome.

The second process is the testing of the pedagogical value of the framework. This is done through bundling the questionnaire and self-generated report into a product distributed to a small part of the ERP market. By distributing it to consultants, clients and vendors as more or less an automated professional service; we are currently testing the perceived value in these three segments. After assessing the internal reliability, validity and perceived value we will hopefully in the future increase our knowledge regarding how to design alternative research approaches for empirically based ERP implementation research.

5 ACKNOWLEDGMENT

This work was made possible through the Paper Mill-project at the Department of Informatics, Gothenburg School of Economics and Commercial Law/University of Gothenburg, and the Enterprise Systems Research Group. We would like to direct a special show of gratitude to the reviewers who did a thorough job when reviewing the first version of this paper.
References


Bancroft, N., Seip, H., Sprengel, A. 1998. Implementing SAP R/3: How to introduce a large system into a large organization. Manning publications CO: Greenwich, CT.


Barnes, M. 1999. Customization of ERP requires development skills. Information week 22 feb


Donovan, M. 1999. Successful ERP implementation the first time. Midrange ERP August.


Marcus, M.L. & Tanis, C. The Enterprise System Experience – From adoption to success In…
Schneider, P. 1999. Wanted: EREpeople Skills, CIO March.