CASE 2 Big Project, Big Failure

If you Google the phrase "ERP failure" you will find millions of search results. While most ERP industry experts know that far too many ERP projects run over budget and fail to live up to expected benefits, one recent project failure demonstrates just how bad a failure can be.

Bridgestone Americas, a large automobile tire manufacturer, receives approximately one tire order every second, eight hours a day, five days a week, requesting delivery to over 62,000 locations across North America. Prior to 2012, all of these orders were processed by an aging computer mainframe system, running a program written in the COBOL computer language. In 2007, Bridgestone contracted with IBM to design, install, and configure SAP software across the entire business to replace the legacy mainframe system. IBM promised "all of its best people, methodologies, tools, and design and management practices" to ensure a smooth transition. IBM also promised that they new ERP system would be ready for launch on July 30, 2011.

Six months after the promised deadline, and after Bridgestone had spent over US$75 million on the project, the system failed on launch day, disrupting many of the company's day-to-day activities. This disaster threw Bridgestone's tire and retail operations into chaos. Bridgestone had to turn off or disconnect automated systems, and the entire organization had to go into manual disaster recovery, with everyone, including management, working day and night to find creative ways to deliver products critical to their customers' businesses. Bridgestone even delivered tires to manufacturers without any purchase orders to keep customers' production lines running and to mitigate damages. As Bridgestone scrambled to recover, the company were forced to hire SAP directly for the first six months of 2012 to identify and resolve defects in IBM's SAP implementation.

Ultimately, Bridgestone filed a lawsuit against IBM for US$600 million, claiming $200 million in business losses and additional damages for fraud and breach of contract. IBM vigorously and publicly defended itself, claiming that Bridgestone "lacked leadership" and disrupted the design and implementation process by replacing its chief information officer six times in two years. According to IBM, after insisting that it have control over the design and final approval of the system, Bridgestone failed to timely approve those designs, failed to provide the necessary design documents for IBM to complete its work, and failed to conduct the required user testing necessary to understand how the system would work under real-world conditions. IBM further claimed that Bridgestone ignored IBM's suggestions to employ a more conservative, staggered roll-out of the new system and instead insisted on a "big bang" go-live in which the entire system would be implemented overnight across all North American operations. Bridgestone continued to demand that the system be implemented in this manner and insisted on the scheduled go-live date, even after IBM had advised that the go-live date was premature and therefore fraught with business risk. Bridgestone elected to proceed regardless of the identified risks, even after acknowledging that the system would fail to meet the go-live criteria that Bridgestone itself had set. At go-live, the system experienced many of the errors that IBM had predicted.

These two companies have much to resolve in the legal courts, and it is unclear whether Bridgestone will be granted, or even deserves, its desired settlement amount. What is obvious from this example, however, is the clear risk involved with any large-scale IT project. Given most of ERP systems' level of integration with key business functions, companies have to carefully consider the risks and rewards inherent in such a large undertaking.

Questions:

7-41. Who was more at fault—IBM or Bridgestone? Why?

7-42. What could have been done, and at what stage, to help prevent the project failure? List and discuss two or three changes.

7-43. Should any large businesses attempt an ERP implementation of such a large scale? What factors should managers consider in making that kind of a decision?

Based on:

Bort, J. (2013, November 20). IBM rips into Bridgestone over $600 million lawsuit. *BusinessInsider.com*. Retrieved May 3, 2014, from http://www.businessinsider.com/ibm-rips-into-bridgestone-over-600-million-lawsuit-2013-11.

Bridgestone Americas, Inc. (2013, November 12). Bridgestone Americas, Inc. vs. IBM Corporation. *Nashville Post*. Retrieved May 3, 2014, from http://nashvillepost.com/sites/default/files/attachments/78417/BStoneIBM.pdf.

Krigsman, M. (2013, November 29). PR finger pointing: IBM and Bridgestone wrangle over failed ERP. *ZDNet*. Retrieved May 3, 2014, from http://www.zdnet.com/pr-finger-pointing-ibm-and-bridgestone-wrangle-over-failed-erp-7000023711.

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7-44. Describe and contrast order-to-cash, procure-to-pay, make-to-stock, and make-to-order business processes.

7-45. Contrast internally and externally focused systems.