Applied Information Technology And Computer Science Vol. 4 No. 2 (2023) 2183-2187

AITCS

Homepage: http://publisher.uthm.edu.my/periodicals/index.php/aitcs
e-ISSN :2773-5141

Analyzing Contemporary Project Management Issues of FoxMeyer's ERP System Failure

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DOI: https://doi.org/10.30880/aitcs.2023.04.02.125
Received 14 November 2023; Accepted 16 November 2023; Available online 30 November 2023

Abstract: In FoxMeyer's Enterprise Resource Planning (ERP) System Failure, modern project management concerns are examined through the lens of one of the failed companies, which was a $5 billion business that ranked as the country's fourth-largest distributor of pharmaceuticals and had the technology to increase productivity. The main focus of the conversation is how FoxMeyer's project has several problems, as identified by the Project Management Body of Knowledge (PMBOK) that affect the project management and ultimately lead to project failure. The study indicated that the scope of the FoxMeyer project was risky. They needed software that could manage a high volume of transactions and complex pricing algorithms. Furthermore, one of the procedures for locating, gaining access, assessing, and controlling the risk exposures to losses is risk management for the FoxMeyer project. In this instance, the companies failed to identify and mitigate the risks associated with the ERP's adoption. In the conclusion of FoxMeyer's case, this project needs a proactive approach to project management. It can be solved by changing the circumstances, maintaining an open line of communication, and being responsible for emerging risks.
Keywords *: FoxMeyer, PMBOK, Project Failure, Scope, Risk Management, ERP*

1. Introduction

In general, the methodical planning, carrying out and monitoring of projects with the aim of fulfilling specific goals and success standards is known as project management. In order to fulfill project requirements and produce the intended results, it involves applying knowledge, skills, tools, and techniques to project activities. Although it is acknowledged that information system failure has become a common issue, little agreement exists on the actual percentage of projects that fail. Three severely flawed government systems were developed for three to eight years at a cost of more than 19 million dollars to US taxpayers before being scrapped [1].

We conducted research on the case of Fox Meyer, one of the companies that collapsed. According to the debacle, FoxMeyer Drugs was a $5 billion company and the nation's fourth largest pharmaceutical distributor with the goal of using technology to improve efficiency. Several questions are raised during the research. First of all, why did FoxMeyer's new automation system not work as planned? Furthermore, how did poor project management contribute to FoxMeyer's bankruptcy and what

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solution can prevent situations like this from occurring again. Also, we want to get inside their decision-making process and identify the wrong way of solving problems.

Related to this matter, there are some suppositions that ended in this company's failure. The first thing is the system's incompetence to fulfill the needs of the business might have been a result of mistakes made in the selection or application of hardware or software. Besides, a lack of strategic vision and insufficient management of the automation system project implementation may have resulted from weak leadership that contributed to failure [2]. Thus, the purpose of researching the FoxMeyer case is to deeply understand the causes and consequences of the company's bankruptcy. Then, we provide recommendations for enhancements to prevent certain related problems from repeating again in our industry. Lastly, the objective of discussing this case is to glean valuable insights into supply chain management and technology implementation.

2. Discussion on the area of PMBOK that you choose that being highlighted in the journal article.

For decades, it has been recognized that information technology projects frequently result in failure. PMBOK (Project Management Body Of Knowledge) is recognized as one of the primary global project management standards, the guidelines, the terminology and the best practices. This approach enables project managers to establish consistent practices to meet all the requirements through knowledge, skills, tools and technique as well as mitigate the risk of project failures. There are nine Knowledge Areas (KAs) that a project manager should concentrate on during the project life cycle such as scope management, time management, quality management, and cost management as core functions along with human resources management, communication management, risk management and procure management as facilitating functions as found in A Guide to the Project Management Body of Knowledge (PMBOK® Guide)–Fourth Edition [3].

In this study, scant research has been conducted to identify the causes and consequences of FoxMeyer's bankruptcy. After collecting some data from various resources, we discovered that the primary factors contributing to the failure of the FoxMeyer project can be categorized as inadequate planning and implementation.

2.1 The failure of the FoxMeyer Project can be attributed to several areas of the PMBOK as below:

- Failure of Scope Management

  A good scope is one of the main components required for a project to be successful that involves defining and managing project boundaries, objectives, requirements, and ensuring that the project is aligned with the organization's goals [4]. Scope management in a project is the process of defining and outlines all the necessary work to meet its objectives while also maintaining control over what is included and excluded. This involves using techniques that empower project managers to allocate the appropriate amount of work required as well as clear boundaries to successfully complete the project. The process includes planning, collecting requirements, defining scope, creating work breakdown structure, validate scope and controlling scope [5].

  Failure to adequately plan project management can have several negative consequences which is a limited comprehension of potential risks, which makes it difficult to foresee and efficiently manage them. Consequently, there is a greater likelihood of scope creep and project disruptions. Furthermore, it restricts the capability to oversee project progress. It is more difficult for project managers to supervise and manage any deviations from the original plan when project scope is not regularly reviewed using the right tools, which causes delays in resolving such difficulties. Finally, the lack of a well-organized scope management plan may lead to inadequate project deliverable validation, which may exclude stakeholders from this

important procedure. This omission can lead to the delivery of incomplete or unsatisfactory results, ultimately causing dissatisfaction among project stakeholders [6].

Based on the research, the FoxMeyer project scope was risky. They required software that could handle intricate pricing models and large numbers of transactions [7]. SAP was the fourth largest ERP software vendor. SAP was developed from a business perspective and includes 70 integration modules to help companies seamlessly connect their business processes. As a consequence of the reputation, FoxMeyer decided to use the SAP R/3 and appeared to have unrealistic expectations of what R/3 could do [8]. The decision by FoxMeyer for being the first wholesaler to utilize SAP R/3 was the first problem that demonstrated the failure of scope management. FoxMeyer refused to listen to Andersen's advice that the software will not be able to meet the Delta III project requirement [9] because it was only intended for manufacturing companies and still lacked many of the key elements needed for wholesale distribution [10]. The software lacks two crucial requirements to FoxMeyer which is inflexible and struggles to handle the high transaction volumes. As a result, the SAP system could only handle 10,000 orders daily as opposed to the prior mainframe's 420,000 orders and subsequently left orders unfulfilled. This whole situation is one of the reasons that led project Delta III to failure.

Numerous knowledge bodies and frameworks provide practical support for project management so it is important for project managers to gain a better understanding and identify the root causes and find ways to prevent such issues related to project management. Because project management entails the utilization of expertise and competencies along with the utilization of various tools and methodologies to meet the project requirements, it is crucial for project managers to understand how to leverage their project management skills to achieve the desired objectives through training and work experience. Every project uses a variety of approaches to problem-solving techniques. When starting project planning, one strategy that project managers can employ is to highlight the three constraints of scope, time, and cost by establishing specific targets.These three constraints need to be focused in order to be balanced when the project is being carried out. Choosing which restrictions are most essential requires project managers to make wise decisions. According to the study, the project manager should prioritize scope goals. Therefore, they may need to adjust time and/or cost goals to decrease risk and increase quality expectations as well as playing a role wisely when handling the steps found in scope management [11].

- Failure of Risk Management

Risk management is the ongoing process of identifying, assessing, evaluating, and managing risk exposures to losses, as well as keeping an eye on risk management and available funds to lessen the negative consequences of losses. Risk management can happen from every perspective: financial risk, operational risk, strategic risk, and more [12]. Among the many reasons for FoxMeyer's implementation of ERP failure are inadequate risk management procedures. A framework for controlling risks in projects is provided by the Project Management Body of Knowledge (PMBOK). The PMBOK structure consists of six steps: risk response planning, risk monitoring and control, risk identification, qualitative and quantitative risk analysis, and risk management planning [13].

In FoxMeyer's case, the company neglected to recognize and reduce the risks connected to the implementation of the ERP. The risks were improperly recognized and assessed, and the organization lacked a thorough risk management plan. Consequently, the business was unable to adequately address the risks that surfaced throughout the deployment phase. There are a few things project managers can do to prevent this issue from happening in the future. The first way is to establish a clear project plan for the teams. An effective project management approach is essential to the accomplishment of an ERP implementation. Before starting the ERP installation, the firm should have a clear grasp of its goals and requirements. Conductinga thorough analysis of the organization’s operations, defining clear goals for the ERP system,

and planning employee training programs are some of the steps that can be taken to establish a clear project plan [14].

Next, project managers also need to ensure effective communication. An ERP implementation's effectiveness depends on effective communication. The company has to make sure that everyone involved in the project is aware of its objectives, schedule, and benchmarks. Maintaining open lines of communication with stakeholders, suppliers, and staff may assist guarantee that the project is moving forward according to schedule and that everyone is in agreement [14]. In order to ensure good communication during an ERP installation process, project managers are essential. Maintaining project momentum, managing stakeholder expectations, and identifying and addressing risks are all made easier with clear and open communication. As a result, there are more opportunities for an ERP deployment to be successful and fewer possible drawbacks. In order to properly manage risks, a culture of accountability and cooperation is also fostered by effective communication.

In addition, the other thing project managers can do to avoid this problem happening again is identify and mitigate risks. The organization needs to determine and evaluate the risks related to the process of implementing ERP. A framework for controlling risks in projects is provided by the Project Management Body of Knowledge (PMBOK). Risk management planning, risk identification, qualitative risk analysis, quantitative risk analysis, risk response planning, and risk monitoring and control are the six phases that make up the PMBOK framework [13]. Every phase in the risk framework has its own benefits. For example, the risk management planning is important because the company describes how risk will be managed during the ERP adoption project. This includes defining risk management-related roles and duties, creating the risk management procedure, and deciding on risk tolerance and threshold values. The project as a whole will be guided by the risk management plan. It is also important to identify the risk because, by identifying it, staff can know that technical difficulties, operational hiccups, scope modifications, resource limitations, and data migration issues are examples of potential risks. A complete list of possible risks related to the ERP implementation is compiled by the project team, stakeholders, and specialists after extensive deliberation. Each framework in risk management has its own importance. Therefore, the project manager must give priority to this framework so that any problems can be avoided during the establishment of other systems in the future. Companies may recognize and reduce the risks related to ERP adoption by using this methodology.

3. Conclusion and Recommendations should include the essence of what is being learned from the journal article.

In conclusion, the FoxMeyer project stands as a compelling and cautionary case study, underscoring the critical significance of effective project scope management and risk management. The real-world example from the FoxMeyer case serves as a stark reminder of how failures in these fundamental project management areas can result in catastrophic financial and operational consequences, even leading to the bankruptcy of a company. These invaluable lessons should serve as a constant guidepost for project managers and organizations as they navigate the complexities of project execution, striving for successful project outcomes. By applying these principles and avoiding the pitfalls witnessed in the FoxMeyer incident, they can safeguard their projects and long-term viability.

Moreover, the FoxMeyer case illuminates the need for a proactive approach to project management. It emphasizes the importance of adapting to changing circumstances, maintaining open lines of communication, and being responsive to emerging risks. In a rapidly evolving business landscape, flexibility and resilience are essential attributes for project managers and organizations alike. The FoxMeyer incident serves as a stark reminder that diligent project management is not only about adhering to plans but also about being agile in the face of unexpected challenges. By integrating these lessons, project managers can enhance their capacity to deliver successful outcomes and steer clear of the pitfalls that befell FoxMeyer.

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