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Epicor Sued Over Alleged ERP Project Failure

– Chris Kanaracus, IDG News Service

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Epicor is being sued by one of its customers over an ERP (enterprise resource planning) project that allegedly racked up five times its expected implementation costs, in the latest dispute of this type to become public.

Whaley Foodservice Repairs, a Lexington, South Carolina, company that sells and fixes commercial kitchen equipment, first discussed buying an ERP system from Epicor in 2006, according to a complaint filed last week in U.S. District Court for the District of South Carolina.

Whaley wanted a vendor that could provide "a fully integrated, real-time software solution capable of handling its operations, including the parts, sales and services aspects," the complaint says.

The project was supposed to be up and running in Whaley's main office and 12 branch locations by March 2007, but was delayed multiple times and never worked as advertised in more than two years of use, according to the complaint.

The implementation costs were supposed to be US\$190,000 but have reached more than \$1 million, the complaint says. Whaley is suing Epicor for fraud, breach of contract, unfair trade and negligent misrepresentation. It wants its money returned along with additional money for damages.

Epicor was recently acquired by private equity firm Apax Partners in a \$976 million deal. Epicor did not reply to requests for comment. A spokesman for Apax Partners declined comment.

Whaley said it provided prospective vendors with a "scripted demo," essentially a written guide to show how their software should map to the company's business processes. Epicor demonstrated its software and assured Whaley it could meet all of its requirements, according to the complaint. Epicor officials attested they would be the "single source for [Whaley's] software and/or maintenance needs."

In October 2006, Whaley sent Epicor additional information about its requirements. The companies signed a contract on Oct. 16 of that year, the complaint says.

The project did not go well due to a variety of shortcomings in Epicor's software, according to Whaley.

The software "did not allow [Whaley] to view inventory movements for up to 12 to 18 hours after

commitment of the inventory for sale and/or delivery to a customer," the suit claims. It was also unable to synchronize a number of Whaley's sales, distribution and service databases, or handle the company's transaction volumes, the complaint says.

Epicor tried to fix the software but failed, according to Whaley. In addition, some of the software used was not Epicor's, according to the complaint. It was written by Evron Computer Systems. Whaley says it was forced to pay Evron to try to repair some of the defects.

There was also high turnover among the Epicor workers assigned to the project, according to the suit.

The companies signed a pact in October 2009 to delay any litigation and allow time for a compromise. Epicor denied liability in that agreement, which was filed with Whaley's complaint.

ERP projects have been likened to a three-legged stool, in which the customer, vendor and integration staff must all perform well as new systems are put in place and processes updated.

A copy of Whaley's contract with Epicor, also filed with its complaint, provides details about the companies' agreement and the scope of their responsibilities.

Whaley was responsible for all system testing, although Epicor would provide testing plans and advice when necessary, according to the document.

The original estimate called for "a standard configuration of all modules for one test and production BackOffice Company [database] only," the contract adds. If more company databases were required, it would be up to Whaley to "configure them appropriately."

Another section details various customizations and tweaks that Whaley wanted made to the system.

Epicor promised that the costs would not exceed the estimate by more than 10 percent, "except for any modifications defined thereafter," the agreement states. "This approach ensures that both our organizations are highly motivated to complete the project as productively as possible."

However, the estimate "includes no contingencies for unknowns," it adds.

Other recent disputes over allegedly failed software projects include [actions brought against Oracle by Montclair State University](#) in New Jersey and against Infor by Paragon Medical. [SAP and Deloitte Consulting have been embroiled](#) for some time in a suit filed by the government of Marin County, California.

While it's difficult to determine who is at fault in the Whaley-Epicor case, there are some possible explanations for what happened, according to experts.

ERP projects commonly have cost overruns, but the alleged quintupling of Whaley's implementation expenses "is above normal," said analyst Ray Wang, CEO of Constellation Research.

If Whaley's allegations are true, it's possible that the implementation team "didn't have a clear understanding of the capabilities of the software versus what was mapped out, and could not execute," Wang said.

At the same time, the workflows and process maps provided may not have been detailed enough for Epicor to produce an accurate estimate, he said.

Overall, the project's woes are familiar music to Michael Kringsman, CEO of Asuret, a consulting firm that helps companies with IT projects.

"Holy mother of God, here we go again," Kringsman said. "When will customers and vendors learn to manage their expectations more thoroughly?"

"The big takeaway here is the absolute importance of defining requirements accurately up front and carefully managing the expectations between the customer and the vendor," he said.

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