ERP as an innovational development tool

ERP como herramienta de desarrollo innovador

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ABSTRACT:
The paper defines and systematizes the key factors, which influence the results of Enterprise Resource Planning (ERP) system implementation, the most common problems of such implementation and the main sources and solutions of above-mentioned. The high value of ERP projects for business, as well as the high risks associated with these projects implementation, requires studying the success drivers of ERP projects and developing a methodology to assess potential transformation of success factors into risk factors in a phased project diagnosis on different life cycle stages. All this will allow providing business executives, business consultants and managers with an effective tool to identify and eliminate causes that threaten the project success. The results based on comparison of success factors and risk factors allow to estimate possible transformation of the “soft” critical success factors of ERP-projects into the risk factors within the diagnostic assessment of the company’s readiness to implement an ERP project.

Keywords: project management, management tools, human resource management.

RESUMEN:
El documento define y sistematiza los factores clave que influyen en los resultados de la implementación del sistema de Planificación de recursos empresariales (ERP), los problemas más comunes de dicha implementación y las principales fuentes y soluciones mencionadas anteriormente. El alto valor de los proyectos de ERP para empresas, así como los altos riesgos asociados con la implementación de estos proyectos, requiere estudiar los impulsores de éxito de los proyectos de ERP y desarrollar una metodología para evaluar la transformación potencial de los factores de éxito en factores de riesgo en un diagnóstico por fases de proyectos en diferentes etapas del ciclo de vida. Todo esto permitirá proporcionar a los ejecutivos de negocios, consultores y gerentes de negocios una herramienta efectiva para identificar y eliminar las causas que amenazan el éxito del proyecto. Los resultados basados en la comparación de los factores de éxito y los factores de riesgo permiten estimar la posible transformación de los factores de éxito críticos "blandos" de los proyectos de ERP en los factores de riesgo dentro de la evaluación diagnóstica de la disposición de la empresa para implementar un proyecto de ERP.

Palabras clave: gestión de proyectos, herramientas de gestión, gestión de recursos humanos.

1. Introduction
Implementation of Enterprise Resource Planning (ERP) systems is usually characterized by
their riskiness. Many projects were halted because of the problems related to organizational behavior and human resource management. Such problems may include: unwillingness of end users to use the system, staff resistance to changes, poor training, high turnover of staff, lack of communication, low-qualified consultants, etc. Successful implementation of ERP projects can be under threat because of purely technical issues, such as software bugs and complexity in the system configuration design (Sumner, 2000; Kumar et al., 2003; Matende & Ogao, 2013). However, we agree with the conclusions of many researchers (Markus et al., 2000; Chen, 2001; Kumar et al., 2003) that the main reasons for failures in projects implementation are:

- people,
- organizational aspects,
- and unprofessional management of changes.

It should be noted that the problems related to the human dimension are generally perceived to be much more complex than those related to the hard (or technical) dimension of project implementation. Development of corporate information systems are complex projects; a high level of human resource management is a key success factor for them (May & Kettelhut, 1996; Hawa et al., 2002). Besides, many researchers (Welti, 1999; Holland et al., 1999; Sumner, 2000) include effective management of human resources (HR) in the list of key factors underlying ERP systems projects success. In Russia many recent researches (Simonova, Lyapina, et al., 2017) are also connected with innovative activities in the process of ERP projects implementing. So, it is important to understand the role of the stakeholders involved in the ERP project implementation. Aspects of human behavior and risks that a company faces should be considered from several perspectives: by internal and external experts, specialists on system functioning, managers, suppliers, users, and other involved parties.

Today, many researchers (Wateridge (1997); Skok & Legge (2002), Saide (2015), Markus (2000), Kaab (2016), Grant (2013), Pavlovskaya (2016) analyze the importance of professional staff competencies, arguing that project success depends on qualified and motivated staff with necessary set of business and IT skills. In particular, Hawa and his colleagues (2002) show that the effectiveness of a company’s work is based on successful implementation of IT projects, which depends on human resources management. Based on the performed study, Hawa analyzes human resources requirements for implementing a project successfully, particularly focusing on know-how, project team members’ experience and roles; he offers mechanisms and tools to improve human resources management during implementation of ERP projects. The author notes that the implementation of integrated cross-functional projects requires coordination, communication and mutual acceptance between various participants in the project: managers, technical staff, end users, consultants, suppliers, etc. This statement puts the human factor to a key position when a project is implemented at the company level.

Skok & Legge (2002) consider key stakeholders of an ERP project, in particular, they define the four main parties involved in the ERP implementation: managers, users, developers, consultants. The authors used the analysis of stakeholders to identify the key factors underlying risk reduction in ERP projects, and analyzed the interaction between the parties. All the identified areas of conflict were considered as probable causes of the project failure. In addition, the study examined the ability of stakeholders to influence the result of the ERP project, as well as strategies to exercise this influence.

Thus, the high value of ERP projects for business, as well as the high risks associated with these projects implementation, requires studying the success drivers of ERP projects and developing a methodology to assess potential transformation of success factors into risk factors in a phased project diagnosis on different life cycle stages. All this will allow providing business executives, business consultants, managers and professionals with an effective tool to identify and eliminate causes that threaten the project success.

2. Methodology
The theoretical foundations of project management are viewed in scientific works of Russian and foreign scholars. Risks and reasons that increase the success of ERP introduction at different stages of the project life cycle are studied by such researchers as A. Aladwani, H. Akkermans, T. Džuels, M. Kettelhut, D. O’Leary, M. Milford, A. Mital, J. Mei, K.G. Nelson, D.L. Olson, A. Ortiz, L. Ros, T.M., Somers, G. Stewart et al., J. Uoteridž, M. Hawa, B. Hunter, T. Hunter, R. Evans, J. S. Edwards and others.

The study was carried out in two parts. The first part was aimed at evaluating the level of significance of the above-mentioned factors for the project success. Here, the collection of data was conducted using an online questionnaire, since this method assumes receiving a significant amount of feedback within a short period of time. In addition, this method allows questioning a large number of respondents; if the response rate is too low, it is possible to send letters-reminders. Other research methods were refused. For example, questionnaires mailing would have high costs and long response time, personal interviews would be very expensive.

20 Russian enterprises received proposals to participate in the questionnaire. The list of potential respondents for the research was generated using available data on subject-information technologies, corporate information systems, information management, etc., as well as the sites of official software suppliers and major industrial holdings, i.e. reliable sources, which contained references to companies with introduced ERP systems.

The key focus-group of the research were IT project managers, human resource managers, heads of technical and business units – those who were involved in the implementation of corporate information systems at their enterprises. Only one employee from every selected company was to answer the questionnaire.

The specially developed questionnaire contained 21 points: 11 open questions and 10 closed multiple choice questions. The questionnaire had been drawn up in Russian and consisted of 7 main sections: 1) Common questions, 2) Skills and competencies, 3) Education, training and development, 4) Change management 5) Communication, 6) Remuneration system, 7) Risk factors.

The respondents were asked to rank the importance of each critical success factor (CSF) for ERP implementation on a scale from very low to very high - from the list of 8 soft and 4 hard factors.

The second part of the research was to identify the factors and project life cycles with the highest probability of risk. The methodology was as follows:

Step 1: questioning. There was a questionnaire for the participants of corporate information systems projects. The respondents indicated risk factors that they consider to be significant at each project stage (one open question), and graded their importance on a Likert scale from 1 (very low) to 5 (very high).

Step 2: categorization of responses. The categorization of the respondents’ answers was done to unify similar responses of different respondents in general statements; it allowed creating a list of risk factors that are common to most respondents. We calculated average score of importance for each risk factor. The significance of the factors, which were not mentioned by the respondents, was taken for zero.

Step 3: comparison of success factors and risk factors. The identified risk factors were compared with the “soft” critical success factors (project team competence, user training, intercompany communication and interaction, expectations management, change management).

Step 4: drawing conclusions. The obtained data were analyzed and research findings were formed.

3. Results
ERP-system projects typically require quite extensive use of Business Processes reengineering (BPR); enterprise business processes are redesigned in line with the system features. Such changes are the reason for members’ resistance, who see the changes as a
threat to their jobs, authority and credibility. In the opinion of some authors (Evans, 1994; Marjanovic, 2000; Poston & Grabski (2001), Somers & Nelson (2001), the main cause of failures in project reengineering is insufficient attention to human aspect. Olson (2004) provides a list of the main reasons for the failures in EPR projects:
- Lack of attention to human aspects,
- Staff resistance to changes,
- Inadequate staff recruitment,
- Inadequate tools of developers and users,
- Poor coherence of strategies and objectives,
- Lack of control,
- Lack of management commitment to the project.

According to O'Leary (2000), all risks within the project framework of ERP system introduction can be divided into 3 main groups:

- Technical risks. Technical risks are associated mainly with data processing, software modification, integration of systems, errors in data, network capabilities, etc. Occurrence of technical risks and compensation of their effects typically involve experts from a technical company together with the software vendor.
- Business risks. Business risks appear in projects because of wrong choice of certain models and business processes. The examples of business risks can be lack of resources, unskilled assessment of costs and benefits, decline in operational efficiency as a result of the system introduction etc.
- Organizational risks. Organizational risks are related to human factors, the operating model and organization structure as well as the aspects of the company’s corporate culture. The examples of institutional risks are lack of training for users, key personnel turnover, cultural aspects, lack of attention to the choice of professional consultants, unrealized reengineering of business processes, etc.

It should be noted that business risks and organizational risks are, as a rule, the most serious and difficult to control. Olson (2004) summarizes the results of the research, which was made by Willcocks & Sykes (2000) and dedicated to the analysis of reasons of failures in ERP projects. Willcocks & Sykes (2000) found that companies that failed should have implemented changes in human, cultural and organizational relations. Based on the theoretical evaluation of the essence of the research topic, it is necessary to form the models of project management used in foreign and Russian industrial structures. This circumstance is related to the fact that development of the proprietary model requires generalization of the material that opens the peculiarities of project management in the conditions of significant increase of innovational and technological development of business structures.

Technological determinism assumes that the manager who is responsible for enterprise’s information technology (usually Chief Information Officer or CIO) is too focused on technical aspects. Thus, the personnel of the IT group have advanced technical skills. In this case, the ERP-system is considered as a package solution that can resolve all process- and technology-related issues by means of hardware. Such perspective often causes staff resistance to changes and a high probability of a project failure. In the implementation of the project, the IT group focuses mostly on project budgets or deadlines instead of achieving business benefits.

The scenario of suppliers’ or consultants’ domination occurs when top managers introduce a project without necessary consultations with the CIO and IT group. This situation appears because top managers believe in an ERP system as a strategic tool or they distrust the specialists from the IT group. In such situation, the project is outsourced to the ERP-system suppliers and consultants. Such approach usually results in exceeding the project budget.

The scenario of obsolete relationships and abilities occurs when the Chief Information Officer and IT teams are unable to cope with new technologies and related issues. For example,
the ERP system implementation, but still are in charge of the respective initiative. As a result, to fill in the gaps, the company hires external specialists. The relationship with the users remain undeveloped, the focus is on minimizing costs, rather than on strategic benefits. After the system starts, the company is about to maintain a new system. This scenario is the most common one and can be found even in successful ERP system projects.

The success of project introduction is a multifaceted concept and, therefore, can be measured in various categories. These categories include introduction speed, visible and measurable business benefits, as well as fast return of investments. In Hong & Kim’s studies (2002), successful implementation of a project is measured by achievement of planned objectives, taking into account cost overruns, missed deadlines, shortage of system productivity, as well as by impossibility to achieve planned benefits. In a similar research conducted by V. Kumar (2003), it was found that the most frequently used measures to define the project success are meeting deadlines and budget. The author also associates the success of a project with the achievement of the company’s key performance indicators, such as the life-cycle of sale completion, inventory turnover.

However, it is clear that successful implementation depends on various other factors, such as human resources management, organizational aspects, change management, process optimization and trainings.

The results of the research (Table 2) showed that respondents consider experienced and skilled project members as a key prerequisite to increase the efficiency of the enterprise systems introduction. That agrees with the viewpoint of many scientists, who write about the impossibility of successful project implementation in case qualified and motivated staff is lacking. The next most important factor was the availability of necessary human resources and expertise to implement a project. Project team structure was not indicated as an important factor. That contradicts the position expressed by Welti (1999), who defined resources and expertise availability, project teams’ quality and structure as key HRM requirements for successful project implementation.

<table>
<thead>
<tr>
<th>HR management requirements</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experienced and skilled project participants</td>
<td>3.94</td>
</tr>
<tr>
<td>Adequate staffing for project implementation</td>
<td>3.69</td>
</tr>
<tr>
<td>Presence of required expertise</td>
<td>3.50</td>
</tr>
<tr>
<td>Project team structure</td>
<td>3.31</td>
</tr>
</tbody>
</table>

Source: Pecherskaya et al.

The analysis of the data obtained from the respondents of the questionnaire allowed us to propose the most optimal project team structure. It greatly improves the efficiency and success of ERP projects implementation at enterprises (Table 2).

<table>
<thead>
<tr>
<th>Key persons</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>66.7</td>
</tr>
</tbody>
</table>
The results showed that the key persons for ERP project should be managers (66.7%), IT personnel (55.6%), top executives (44.4%) and consultants (44.4%). A few companies-respondents had representatives of ERP system vendors and IT-consultants in their project teams. The project team structure obtained in our survey is consistent with the position of Hawa (2002), who defines 3 key categories of professionals involved in reengineering initiatives: managers, employees, outside consultants and technical company experts. Similarly, Welti (1999) recommends a project team built of a project manager, project team members and consultants. According to Hawa, the members of different project teams should not only have necessary skills, but also constantly collaborate with each other, making emphasis on the value of personal contacts and relationships.

4. Discussion
Based on the analyzed scientific literature (Parr & Shanks, 2000; Akkermans & Helden, 2002; Somers & Nelson, 2004) and practical experience in Russia, we determined 22 autonomous critical factors and grouped them by key players and activities. They form a base for reducing the risks of failures during implementation of corporate information systems. These factors were divided into “hard” ones (H), which can be easily measured and are usually associated with uniquely interpreted phenomena, and “soft” ones (S), which are difficult to measure and tend to be nonmaterial, ambiguous, related to the areas of human psychology and organizational behavior (Table 3).

We also defined two independent criteria that determine the nature of critical factors effects on project results:
1) the life cycle of project implementation;
2) the key factors of ERP system implementation project (presence and behavior).

<table>
<thead>
<tr>
<th>Key project participants</th>
<th>Key activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management (H)</td>
<td>Training of Users (S)</td>
</tr>
<tr>
<td>Project leader (H)</td>
<td>Expectations Management (S)</td>
</tr>
<tr>
<td>Project Management Committee (H)</td>
<td>Careful selection of an appropriate package of services, systems, modules, etc. (H)</td>
</tr>
<tr>
<td>Implementation Consultants (H)</td>
<td>Project management (H)</td>
</tr>
</tbody>
</table>

Table 3
Critical factors for implementation of corporate information systems at industrial enterprises
<table>
<thead>
<tr>
<th>Project team (S)</th>
<th>Customization (H)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership between a provider and a client (H)</td>
<td>Analysis and interpretation of data (H)</td>
</tr>
<tr>
<td>Provider tools (H)</td>
<td>Reengineering of Business processes (H)</td>
</tr>
<tr>
<td>Provider support (H)</td>
<td>Definition of architecture (H)</td>
</tr>
<tr>
<td></td>
<td>Resource allocation (H)</td>
</tr>
<tr>
<td></td>
<td>Change management (S)</td>
</tr>
<tr>
<td></td>
<td>Setting clear goals and objectives (H)</td>
</tr>
<tr>
<td></td>
<td>Learning new business processes (S)</td>
</tr>
<tr>
<td></td>
<td>Internal communication (S)</td>
</tr>
<tr>
<td></td>
<td>Intercompany collaboration (S)</td>
</tr>
</tbody>
</table>

Source: Pecherskaya et al.

Based on our analysis of respondents, we prepared an assessments table of various skills important for different key groups of professionals involved in an ERP project. According to our respondents, the most important thing for top managers is the ability to lead and communicate. Support from top executives, their constant and active involvement in all processes of project implementation, as well as project team formation by top managers are also essential elements of success.

The skills, which are necessary for the managers of lower levels, include communication, monitoring, leadership, planning, and interpersonal communication. Unlike Wateridge’s research (1997), in which leadership qualities are at the first place, our study identified communication skills as the most important for managers. We assume that at present time, when project management has a trend to focus on human resources management, communication and interpersonal skills are more important than before.

The importance of project management competencies, such as developing plans and exercising control, remains high because project management is indispensable on every stage of the project life cycle. That requires such skills as planning, control, monitoring of social, behavioral and “power play” aspects, and many other skills. Our respondents noted that technical skills are not important for managers, which is in line with the conclusions of Wateridge (1997).

Communication skills and the ability to build personal contacts are the most important factors for end-users. That could be grounded by the fact that planning and control functions are realized by managerial staff. Users are not required to have special technical skills. In addition to understanding the functions connected with performance of their working duties, users are expected to understand new processes and procedures.

For consultants, the key skills were experience in ERP-systems implementation, planning skills, communication skills. External consultants provide project teams with valuable expertise in the field of project management, planning, system tuning and training. Good consultants have a positive impact on project terms and quality, while incompetent consultants are in the group of the main obstacles to successful project implementation. The ability to communicate is critical for consultants, because they have to deliver their ideas to companies’ executives, as well as to share their knowledge with the personnel of their clients.

Technical skills are required for IT consultants, ERP system suppliers and the company’s IT
staff. IT personnel also requires developed communication skills. For this category of personnel, mere availability of technical know-hows is not enough, the ability to interact effectively with other project team members is also important.

4.1. Training and development

The significance of training is a popular topic in academic literature. Insufficient training causes users’ misunderstanding of the changes in the company’s business processes, which a new system brings. It is one of the main reasons for failures in ERP projects. It is no wonder that the survey participants named the study of the new system and its working functionality, acceptance of new processes and procedures, and staff training in implementation of changes as key factors for ERP projects. The following factors were also marked as important: availability of qualified coaches, defining required types of training and giving support when training is organized. The results are similar to the results of the research conducted by Kumar (Kumar et al., 2003). Nowadays, it is not enough to be a professional only in the field of ERP; it is necessary to understand how business and ERP systems work together. Unfortunately, professionals with such understanding are rarely found in the market. Different groups of users have different requirements, preferences and abilities to learn. The factor of available necessary budget is in the middle of our ranking of importance, although many researchers (Kumar et al., 2003) believe that insufficiency of budget is one of the major obstacles to successful training of users. Documentation for the training process and assessment of trainings effectiveness was given the lowest score in our ranking of importance.

4.2. Change management

In the section about change management, participants were to define the importance of change management strategies. Involvement of managers in the process of change received the highest scores in the ranking of importance (Table 6). This result is consistent with the research proving that top executives’ involvement is a crucial driver for the success of ERP projects (Aladwani, 2001). Other strategies with high marks of importance became delegating responsibilities to personnel and strategic understanding of ERP systems significance. The most common strategy is to increase users’ acceptance through delegation of responsibilities and inform them about the strategy of ERP system use and its benefits for users. Next, there was availability of a strategy to develop new assessment criteria and control measures. The importance of assessing this strategy is quite logical in view of possible changes in the work processes, which a new system brings. The significance of the strategies of resistance sources identification and specific expertise identification of resistant staff was low. However, in scientific literature, there is an opinion that these strategies should help senior managers understand the reason for resistance to changes, as well as form a strategy to overcome resistance to change (Welti, 1999). It is surprising that users’ acceptance of changes was given the lowest place in the ranking. Many authors (May & Kettelhut, 1996; Welti, 1999; Aladwani, 2001; Chung-Hsing Yeh & Yan Xu, 2013) emphasized the need to reach staff agreement with implemented changes for successful management of ERP implementation. Scientists believe that it is easier to generate reasons to implement ERP solutions, than to get users’ agreement.

Table 4

| The importance of change management strategies during implementation of ERP projects |
|-------------------------------------------------|--------------|
| Factors of change management strategies          | Scale        |
| Involvement in change process                    | 4.21         |
| Delegation of responsibilities to employees     | 3.93         |
|                                                 |              |
### 4.3. Communications

As the purpose of any ERP system is integration of different business functions in different company departments, internal interaction and communication are essential for ERP system implementation (Akkermans & Helden, 2002). Here, participants had to assess the influence of communication factors on the success of ERP implementations. The factors with the highest score are efficient communication between key project participants, as well as interaction and involvement of key stakeholders (Table 7). The results are fully consistent with the findings explained in scientific literature. Efficient communication and collaboration are vital as they help to define expectations and reduce anxiety, to form users’ acceptance of changes, and to increase involvement of all parties (May & Kettelhut, 1997; Ross, 1999). Akkermans & Helden (2002) found that effective communication and collaboration between project members is a key to successful project implementation. Information about future benefits of ERP system and implementation strategy is a vital part of any ERP project. The lowest score was given to develop of communication rules. It is quite clear that this practice is far from first place in the general communication strategy.

#### Table 5
The importance of each communication factor in the implementation of ERP projects

<table>
<thead>
<tr>
<th>Communication factors</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficient communication between key project participants</td>
<td>4.53</td>
</tr>
<tr>
<td>Interaction and collaboration of key participants</td>
<td>4.20</td>
</tr>
<tr>
<td>Information about ERP system benefits</td>
<td>4.13</td>
</tr>
<tr>
<td>The practice of regular communication</td>
<td>3.93</td>
</tr>
<tr>
<td>Informing about the changes that are caused by ERP -System introduction</td>
<td>3.87</td>
</tr>
<tr>
<td>Rules of communication</td>
<td>3.33</td>
</tr>
</tbody>
</table>

Source: Pecherskaya et al.
success; it remains relevant on any stage of the life cycle of enterprise resource planning project (Akkermans & Helden, 2002; Somers & Nelson, 2004). The most significant, according to our respondents, are such factors as staff involvement and creation of conditions for comfortable work. Let us remind that it is very hard to find and hire professionals who are skilled both in the field of ERP systems and business. Company-paid trainings for further development of such specialists are extremely expensive. In these circumstances, staff retention should be one of the key goals for a company. Rewards for individual success were rated higher than remuneration of team works. This result can be explained by predominance of individual culture, in which, in contrast to cooperative culture, individual achievements are more appreciated. Thus, money goes to the last place, fame is on the second place, and team spirit building is on the first place. Clarification of future career opportunities to the staff was not considered as an important factor.

5. Conclusions

According to the determined theses, the authors have studied Russian model of ERP projects implementing and key factors influence at it at the different stages of such implementation. Thus, a classification of the critical success factors and risks that arise at different stages of the ERP project life cycle was distributed. The proposed method estimates possible transformation of the “soft” critical success factors of ERP-projects into the risk factors within the diagnostic assessment of the company’s readiness to implement an ERP project. It can be used by business leaders, top managers, business consultants, experts, practitioners and researchers - for the purpose of early detection of the “soft” critical success factors of an ERP project, where a wrong approach to its management can lead to complete failure of the business.

The main provisions and conclusions of the research can be used for the purpose of improving the methodological basis for management decisions aimed at handling the processes of effective implementation of corporate information systems at industrial enterprises. We hope that the results may be useful for consulting companies providing advice on effective business and organizational change management in the sphere of IT, minimization of the personnel resistance, development of motivation systems for project teams members and ERP end-users, leadership skills and management competencies, creation of systems for personnel selection.

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