Chapter IV

Management Issues in Implementing ERP Systems

Learning Outcomes

- Understand the need for change and the role of ERP systems in change management
- Identify phases in the change management life cycle
- Obtain a broad understanding of the issues involved in implementing ERP systems in each phase of the change management life cycle
- Identify the phases in implementing an ERP system

Overview

Change is the only constant in business and personal lives. Weather patterns may change rapidly during a day and people must adapt to the changes quickly in order to use the weather to their advantage. Many people, especially in underdeveloped countries, who are not informed of impending changes in the weather have to face these changes quickly with no time to react. This can lead to major devastation and many deaths, as reported in the cyclone that struck the state of Orissa in India during 1999, leaving about 10,000 people dead and over 10 million
homeless. People in developed countries such as the U.S. generally learn about impending disasters early enough (such as the four hurricanes that hit the southern states during 2004: Hurricane Charley, a category 4 hurricane that killed 34; followed by Hurricane Frances, killed 38, Hurricane Ivan, which killed 52, and Hurricane Jeanne, which killed 28) to leave the most-impacted areas for a period of time and return after the disaster has passed. As a result, even though the damage to property may be severe in both cases, the number of people who die is likely to be higher (about 10,000 in India) when people are unaware of the impending change and smaller (about 130 in the U.S.) when a major change has been forecast and people can take appropriate action to cope with it. Complex information technologies such as the National Hurricane Center systems aid the public in making informed decisions. Radio and T.V. stations play a strong role in keeping the people informed. In contrast, the flow of information was sparse and uneven and no escape routes were available in Orissa, leading to people staying to face the brunt of the cyclone (“Major Storms”, 2005).

The recent disaster when Hurricane Katrina hit the U.S. showed how availability of effective information systems alone are not sufficient to avert a crisis. The country was caught unprepared when a whole city such as New Orleans was under water when Hurricane Katrina hit during August 2005 and a levee broke; relief operations did not arrive in time and more than 10,000 people are expected to have died (Coy & Foust, 2005). This example shows that effective planning, leadership, information systems, and implementation are critical in averting a major crisis and reduce human suffering. That is why it is critical that you are aware of the stages of the change management process and get trained to handle the complex situations that you will face in your career, personal life, and in life. Similarly, change is common in business and must be dealt with on a routine basis. As companies become larger in size and scope, they rely much more on information systems for their operations. In this chapter, we will provide you with concepts that will equip you to assess your company’s industrial position, identify its core competencies, and manage change more effectively. The change management life cycle is described and the issues involved in implementing ERP systems are described. Many information technology projects fail because the people who are assigned to work with the new system are simply not willing to accept their new role. The chapter concludes by listing the management challenges in implementing an ERP system.

## Change Forces

Most companies operate in a constantly changing business environment. A model developed by Porter (1986) conceptualizes the forces that impact a
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