An Analysis of Interdepartmental Relations in Enterprise Resource Planning Implementation: A Social Capital Perspective

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ABSTRACT

Enterprise resource planning (ERP) has become one of the most popular information systems among companies that want to continue and expand their operations in the long run. The purpose of this study was to analyze the impact of interdepartmental relations, conceptualized as frequency of interaction, trust, coordination and power, on departmental performance from a social capital perspective. The findings of the study revealed that three components of interdepartmental relations (frequency of interaction, trust, and coordination) only emerged as significant factors in departmental performance when ERP was used effectively within the department.

Keywords: Enterprise Resource Planning (ERP), Frequency of Interaction, Interdepartmental Relations, Social Capital Theory, Trust

1. INTRODUCTION

Enterprise resource planning (ERP) has captured the growing attention of companies at both local and global scales in recent decades. Although ERP aims to increase effectiveness and coordination within organizational systems, ERP can also end in failure (e.g. Davenport, 1998; Stefanou, 2002; Al-Mashari et al., 2003; Basoglu et al., 2007) due to adoption or implementation problems. These disappointing results are caused by poor fit to organizational needs, high implementation costs and duration overruns (Panorama Consulting, 2013) that demonstrate the risks of ERP adoption (Al Mashari, 2001; Davenport, 1998). Application of the same ERP package in different companies can have varying results due to different organizational structures (Morton and Hu, 2008), different manufacturing strategies or different organizational cultures (Ngai et al., 2008). In order to explain this variability in ERP performance, scholars have made extensive

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efforts to determine the critical success factors (CSFs) for ERP implementation (Somers and Nelson, 2001; Sumner, 1999). The literature currently provides a non-exhaustive list of critical factors for ERP success, like top management support, project management, user training, effective communication, change management, process management and ERP package selection [Al-Mashari et al., 2003; Basoglu et al., 2007; Bradley, 2008; Finney and Corbett, 2007; Nah et al. 2003; Reimers, 2003; Sumner, 1999; Grabski et al. 2011]. Although some of these CSFs need management by single organizations or specific decision-makers, many of them concern either intra- or inter-organizational networks, as ERP systems connect both different departments and different enterprises. While the amount of research regarding inter-organizational relations has risen (e.g. Alimazighi and Bouhmadi, 2011; Daneva and Wieringa, 2006; Eckartz et al., 2010; Pigni et al., 2005), research into ERP and intra-organizational relations, especially relations between departments within a single organization, is a rarely studied area.

One essential contribution of ERP adoption to an organization is considered to be its ability to integrate business units which previously functioned as distinct silos, and at a slow pace, which led to significant delays in correcting faulty information flowing within the system (Bingi et al., 1999). As departments are composed of people performing specific tasks, integration of these departments, tasks or business processes requires interaction between the units. Some studies therefore focus on specific departments, their relations and information system integration (Hsu and Chen, 2004). Organizational relationships are recognized as important communication routines that evolve together with IT communication routines (Migliarese and Corvello, 2009). Although some studies acknowledge interdepartmental communication and cooperation as important success factors for ERP implementation (King and Burgess, 2006; Ngai et al., 2008; Somers and Nelson, 2001) the literature lacks a conceptualization of interdepartmental relations as a determinant of departmental success through ERP implementation. Noting the vast amount of ERP literature developed from a managerial perspective that focuses on efficiency or performance, Dery et al. (2006) call for more research exploring the interaction between ERP and human agency or practice. This study attempts to fill this void by analyzing the impact of interdepartmental relations on departmental performance through the moderating factor of effective ERP usage within a department.

More specifically, this study attempts to contribute to the literature in at least three ways. Firstly, it identifies interdepartmental relations as a significant factor and attempts to analyze ERP usage from the perspective of social capital theory. ERP research has many different streams covering areas such as ERP and competitiveness, performance measurement, change management, business process management, and successful or failed implementation (Al-Mashari, 2002). Grabski et al. (2011) categorize existing ERP research under three broad headings of CSFs, the organizational impact and the economic impact of ERP systems. This study is a CSF study that proposes a less explored CSF, inter-departmental relations, as an important factor influencing departmental performance. Since both implementation studies (Ngai et al., 2008; Dezdar and Sulaiman, 2009; Ghosh and Skibniewski, 2010) and post implementation studies (Ifinedo et al., 2010; Ha and Ahn, 2013) include interdepartmental communication and cooperation as CSFs, this study does not limit itself to the implementation phase but also covers the post-implementation phase as well, as suggested by Ngai et al. (Ngai et al., 2008) for future research alternatives.

Secondly, there have only been a limited number of studies applying social capital theory. This mainly proposes that “accessed resources embedded in social relations, or social capital, bring about better outcomes” as a theoretical framework for ERP research (Lin, 2002: p.xi). For instance, King and Burgess (2006) draw on social capital theory and social exchange theory to identify performance determinants in their dynamic CSF model, while Lengnick- Hall et al. (2004) propose that ERP applications provide a basis for raising social and intellectual capital.

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