Chapter VI

The Effects of an Enterprise Resource Planning System (ERP) Implementation on Job Characteristics – A Study Using the Hackman and Oldham Job Characteristics Model

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ABSTRACT
As organizations undertake the deployment of integrated ERP systems, concerns are growing about its impact on people occupying jobs and roles in those organizations. The authors set out to assess the impact of ERP implementation on job characteristics. Using the Hackman and Oldham Job Characteristics Model as a basis, the study assesses how ERP affected
work redesign and job satisfaction of people working in several Canadian federal government organizations.

INTRODUCTION

Work redesign occurs whenever a job changes, whether because of new technology, internal reorganization, or a whim of management (Hackman & Oldham, 1975). In order to adopt new technologies, companies have to introduce significant organizational changes which require an overall work redesign. Many organizations use work redesign as a tool to introduce planned change: whether it is an organizational change or a technological change, work must be redesigned to introduce new work routines.

During the mid 1990s, many medium and large companies started implementing enterprise resource planning (ERP) systems from companies such as Baan, PeopleSoft, SAP, and Oracle. Survey results based on data collected from 186 companies from a broad cross section of industries that implemented SAP highlighted eight important reasons why organizations initially chose to implement SAP. These reasons were the following: to standardize company processes, to integrate operations or data, to reengineer business processes, to optimize supply chain, to increase business flexibility, to increase productivity, to support globalization, and to help solve year 2000 problems (Cooke & Peterson, 1998).

An ERP implementation is not only an IT change but also a major business change. It is critical for organizations and their employees to understand this, because only then will the issue of communicating change and its effects to employees attain equal standing with the implementation of technical changes. ERPs have embedded processes, which impose their own logic on a company’s strategy, organization and culture. Companies have to reconcile the technological imperatives of an enterprise system with the business needs of the organization (Davenport, 1999).

During an enterprise system implementation, organizations have to reallocate human resources to the project. Employees must be trained in new skills and work alongside outside consultants to transfer knowledge about the systems and the process (Welti, 1999). With a process system, departments located separately are encouraged to move closer together so that managers can work with the process system more effectively. Structural reorganization allows easy interaction between different functional groups. For example, all those involved in order fulfillment are located together to share the same facility and get a better view of the entire process. Top management’s strong commitment is critical for a successful implementation of an ERP system. The new organizational structure allows top management to have a stronger influence on the organization’s integrated functions. An enterprise system also has a paradoxical impact on a
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