Chapter X

ERP II & Change Management: The Real Struggle for ERP Systems Practices

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Abstract

Enterprise Resource Planning (ERP) systems have become an essential information systems infrastructure for large organisations. Organisations are now looking for ways to leverage their ERP investment by introducing new functionality; however, no matter how many implementations these companies have undertaken the same people issues still provide barriers. This research looks at the change management practices of Australian companies and identifies the main success factors and barriers associated with implementing change management strategies. The chapter presents
the results of a survey of 35 major Australian organisations that have implemented an ERP system. Many of these organisations have long histories of ERP usage and multiple ERP implementations and upgrades. The main findings indicate that the respondents considered change management crucial to successful ERP implementations, yet their organisations did not perform change management very well. The main success factor to change management was provision of adequate resources, with the main barrier being lack of communication up and down the organisation.

Introduction

ERP sales have represented a significant proportion of total outlays by business on information technology infrastructure. The global market for ERP software, which was $16.6 billion in 1998, is estimated to have had 300 billion spent over the last decade (Carlino, 2000). The level of their sales and penetration reinforces the importance of these types of systems. A survey of 800 U.S. companies confirmed that almost half of these companies had installed an ERP system and that these systems were commanding 43% of the company’s application budget (Carlino, 2000). The market penetration of ERP systems varies considerably from industry to industry. A report by Computer Economics Inc. stated that 76% of manufacturers, 35% of insurance and health care companies, and 24% of federal government agencies already have an ERP system or are in the process of installing one (Stedman, 1999). The major vendor of ERP systems is SAP with approximately 50% of the market (McBride, 2003).

Although ERP systems have the potential to deliver a number of benefits (Table 1), initially many companies implemented an ERP system as a technological solution to the Y2K issue (Deloitte, 1999). Companies were forced to initiate business process engineering for the purpose of “gap analysis” to determine what either had to change in their company or in the ERP to facilitate an effective implementation. Some companies initially struggled with their ERP implementation for many reasons, including: inexperience with projects of this scope, underestimating the impact the system would have on their organisation, and lacking skilled resources. For some companies these barriers have been insurmountable (Calegero, 2000).
A Stochastic Model for Improving Information Security in Supply Chain Systems