Chapter 27

Change Management Strategies for ERP Implementation in SME and a Case Study in Turkey: Anadolu Bilişim Hizmetleri (ABH) Success Story

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ABSTRACT

SMEs differ from large firms in terms of environmental uncertainty, dependency, centralization, specialization, strategy, systems, resources and flexibility. Because of these distinguishing characteristics, the results of research carried out in large firms cannot be transferred directly to small firms. This is particularly true of the critical success factors for change management and technology implementation. Generally, SMEs tend to adopt new technologies after large firms. The case study in Turkey, represents the change management activities on ERP implementation by a consultancy firm (ABH) on an international corporation’s Turkey located SME.

ERP OVERVIEW

ERP stands for “Enterprise Resource Planning” and represents the latest stage in the evolution and expansion of production planning and control techniques for manufacturing enterprises from material requirements planning (MRP) ERP systems are comprised of a suite of software modules, with each module typically responsible for gathering and processing information for a separate business function, or a group of separate business functions. ERP software modules may include accounting, master scheduling, material planning, inventory, forecasting, finite scheduling, distribution planning and others.

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A typical ERP system integrates all of the company’s functions by allowing the modules to share and transfer information freely. In addition, all information is centralized in a single relational database accessible by all modules, eliminating the need for multiple entries of the same data. While large firms usually budget heavily for ERP and may install a substantial number of the available modules, smaller firms often adopt a piecemeal approach, starting with a few modules or a few components of each module. Customers and suppliers with network security clearance are allowed to access certain types of information by way of an external communication interface (Muscatello, et al., 2003).

**ERP Benefits and Limitations**

One of the primary objectives for installing ERP as well as one of its principal benefits is the ability to integrate business processes. The use of ERP has also been found to be critical in improving customer satisfaction. ERP has also been found to be effective in reducing inventory costs, improving efficiency and increasing profitability. In addition, ERP has also been credited with reducing manufacturing lead times.

Other potential benefits of ERP include: drastic declines in inventory; breakthrough reductions in working capital; abundant information about customer wants and needs; and the ability to view and manage the extended enterprise of suppliers, alliances, and customers as an integrated whole. It should be noted, however, that not all enterprises that have implemented ERP are satisfied with the results of their investments. Many businesses consider their implementation attempts to be failures. In addition, some firms succeed in their implementation while others fail, it is critical to understand that, although the technical capabilities of ERP systems are relatively well proven, implementing these systems is not a simple matter of purchasing and installing the technology. Many believe that, as with all advanced technology systems, managerial issues, from planning to implementation, present major barriers to the effective adoption of ERP systems. (Muscatello, et al., 2003).

Many large organizations have made significant investments of both time and capital to implement ERP systems, however not all implementations go as well as intended. Traditional project management challenges are magnified in such environments, making the implementation more difficult, expensive and failure-prone. The five key critical success factors are (Kemp & Low, 2008):

- top management support,
- business case,
- change management,
- project management
- and training.

**CHANGE MANAGEMENT**

Change management is a particularly important factor in the adoption, adaptation and acceptance phases of ERP systems implementation. Moreover, many ERP implementations fail to achieve the expected benefits possibly because companies underestimate the effort involved in change management.

ERP systems, change management is required to prepare users for the introduction of the new system, reduce resistance towards the system and influence user attitudes towards that system. The ERP adoption model suggests that change management and management support should positively influence system awareness, feelings towards the system and the intention to adopt that system for users to actually adopt the system.

Change management initiatives for a new information system should focus on changes specifically in the areas of technology, business process and organisation, and IS culture. Therefore, change management should focus on creating an environment where the change can