



The impact of organizational project benefits management governance on ERP project success: Neo-institutional theory perspective

Amgad Badewi ^{a,b,*}, Essam Shehab ^a

^a School of Aerospace, Transport and Manufacturing (SATM), Cranfield University, UK

^b Faculty of Commerce, Tanta University, Egypt

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Abstract

The success of ERP has been discussed extensively throughout the last decade. However, this research offers a new lens for understanding this success through combining project management theory with institutional theory. Based on neo-institutional theory, it is proposed that the more the Project Management (PM) and Benefits Management (BM) are used as practice and governance frameworks in an organization, the more it is able to use them in ERP projects since they become part of its institutional logic in managing its projects. Therefore, ERP investment success is hypothesized to be associated with the organization's project and benefits management institutional logics. After analyzing 130 questionnaires using Structural Equation Modeling, it is found that these hypotheses are supported. Furthermore, the organizations that have both logics outperform others which have not. This research implies that project management is not responsible for the project investment success. This is the responsibility of business change management.

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1. Introduction

Enterprise Resource Planning (ERP) “is a business management system that comprises integrated sets of comprehensive software, which can be used, when successfully implemented, to manage and integrate all the business functions within an organization” (Shehab et al., 2004). The use of the project management approach as a way of delivering project investment success has been studied in general (Badewi, in press) and in the ERP field in particular (Dezdar and Ainin, 2011a). The Project Benefits Governance framework is designed to manage and control project investment success, by assigning accountability to

three different roles: the senior responsible owner, the business change manager and the project manager (Badewi, in press). The deployment of the three roles in implementing projects is argued to significantly affect their project investment success. Indeed, the existence of this organizational structure to implement routine projects can create a distinctive institutional logic.

Institutional logic can be defined as “a set of material practices and symbolic constructions — which constitute its organizing principles and which is available to organizations and individuals to elaborate” (Friedland and Alford, 1991) pp. 248–249. It is structurization of active actors' roles through norms, values and beliefs (Thornton et al., 2012). This new mental model of the organization (Forrester, 1992) which emerged due to the use of this governance in organizations' routine projects is proposed to affect the organizational capacity to implement, assimilate and realize benefits from new transformational projects such as ERP systems.

* Corresponding author.

E-mail addresses: a.badewi@cranfield.ac.uk (A. Badewi),
e.shehab@cranfield.ac.uk (E. Shehab).

The underpinning theory for this proposition is institutional theory. Institutional theory is used to study how coercive, normative and mimicking pressures, in a certain environment, make organizations behave similarly toward and by, similar objects (Dimaggio and Powell, 1983). Indeed, an organization in itself is a system (Checkland and Holwell, 1997; Forrester, 1994). Therefore, this research looks at the organization as a system in itself which has the same features used in the bigger system. In other words, its internal IT projects face the same pressures (regulative, normative and cultural-cognitive) to be constructed, behaved and performed similarly, what we call IT project isomorphism.

Drazin and Van de Ven (1985) underlined that internal coordination and control practices may become so institutionalized over time as to be difficult to change. Indeed, the routinization of certain controlling and coordination practices can serve as instrumental tools in achieving control and improving performance (Gresov, 1989). This is reflected in the fact that hybrid dynamic organizational structures can have different and perhaps conflicting, institutional logics which leave the actors in some confusion (Pache and Santos, 2012). This was clear in the American aerospace institute, NASA, after one year of implementing its Enterprise System, since its organizational institutional logics were in conflicting between different organizational actors, which led to loose coupling (Berente and Yoo, 2012). Following these arguments, if an organization uses the same governance framework in managing its projects, can it achieve higher success than those who do not have a consistent institutional logic? In other words, the research addresses this question: by making them part of organizational institutional logic, does the institutionalization of project management and benefits management practices affect the success of ERP projects?

2. Literature review

2.1. Organizational institutionalism

There are various theories explaining the differences in the structures that organizations design for coordinating and controlling their members and activities. Unlike contingency theory which suggests that the demands imposed by technical tasks in the organization encourage the development of strategies to coordinate and control internal activities (Gresov, 1989), institutional theory proposes that the expectations concerning the fitting organizational forms and behavior that are conveyed in the wider social environment endorse the development of an organization's structure (Meyer and Rowan, 1977). Institutional theory addresses the processes by which social structures, including both normative and behavior systems, are established, become stable and undergo changes over time (Scott, 2008a).

Once the institution goes through the institutionalization process, organizational isomorphism is established, which means that organizations will have similarity or identity of form, shape and structure. This isomorphism is believed to be critical for organizational survival (Scott, 2008b). It takes place because all organizations, according to institutional theory, face the same

external pressures: regulative, normative and cultural-cognitive (Dimaggio and Powell, 1983). Regulative inclines them to coercive isomorphism by expedience, rules and sanctions. Normative inclines them to professional isomorphism, which is compliance by social obligation, certification and accreditations in the organization's external and internal contexts. Cognitive or cultural inclines them to is mimetic isomorphism — taken for granted (“All the others are doing this, so we are on the right path!”). By the time this institutionalization has proceeded across and within organizations, it has structured the values and way of thinking which creates institutional logic, whether for professionals (Greenwood et al., 2002), scientific disciplines (Weerakkody et al., 2009), industry (Aldrich and Fiol, 1994) or even for a specific department in a specific organization (Dunn and Jones, 2010; Kraatz and Block, 2008).

The project management framework is being scrutinized by the intuitional theory. Mignerat and Rivard (2012) showed, through a 52-year historical study, that formal control (project governance), external integration (stakeholder management) and project risk management norms, values and practices have evolved and been institutionalized (become similar) in the information systems industry because project managers face the same pressures and these make them adopt the same ways of management. Müller et al. (2014) provided a useful literature review to show how project governance, the governance of projects and governmentality can be similar across organizations since they face the same regulative, normative and cultural-cognitive pressures. Since project managers who live in the same external environment face the same institutional pressures, the isomorphism of the PM practices and tools in one industry can be similar to those in another (Besner and Hobbs, 2012). For instance, one of the factors that led to project management isomorphism across organizations is that a significant number of project managers hold PMP and/or Prince2 Certificates (Mignerat and Rivard, 2012). This normative pillar prompts project managers to behave in a similar way in their daily projects (Greenwood et al., 2002). Furthermore, the moving of project managers from one organization to another increases the homogeneity of PM practices among organizations. The institutionalization practices among organizations in the external environment of one industry can also happen on a smaller scale within a single organization (see Fig. 1).

Since homogeneity between organizations is accepted in practice, the isomorphism of project management practices across the same organization should be underlined for the same reasons. With the neo-institutional theory, Scott (2001) provided a new lens for institutional theory by formulating a comprehensive framework to show that the institutionalization process results from both external and internal pressures. Therefore, this spotlights the role of actors in the institutionalization process. Unlike the external environment pressures which can be unintentional, organizations usually adopt the three pressures discussed above (coercive, mimetic and normative) as control mechanisms to constrain and direct the behavior of their actors (Haggerty and Golden, 2002). . For instance, the existence of a

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