

Information Technology and Quantitative Management (ITQM 2016)

Project team right-sizing for the successful ERP implementation

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Abstract

ERP becomes one of the important enterprise IT applications which enables the standard business process and integrated database. ERP implementation project is a complex, cumbersome and expensive initiative and change management is regarded as one of the most important factors for the successful ERP implementation. Change management includes stakeholder management, communication, end-user education and training and after go-live operation support. End user education and training is considered as the most resource requiring work stream which proceeds with migration data and system validation. This paper presents an empirical framework for the estimation of the dedicated resources of the project which is based on the resource requirement of user-training and system validation of ERP systems. Two user participation frameworks are defined—two-tier of users and three-tier of users. For each framework, a rule is proposed for calculation FTE of ERP implementation project. Future plans include for the verification of this empirical framework by an investigation of the ERP project case studies and is expected to do further research for the staff sizing and organization operation types to manage change management after ERP deployment.

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Peer-review under responsibility of the Organizing Committee of ITQM 2016

Keywords: ERP, change management, project team sizing, empirical framework;

1. Introduction

In the early 1990s, Business Process Re-engineering (BPR) was introduced as a practice of rethinking and redesigning organization's business processes in order to improve customer service, reduce cost and enhance speed of organization. For realizing the achievable benefits, the use of information technology is considered as a major enabling factor [1]. However, due to the nature of a radical change in business processes, the scope of BPR was limited as cross-functional processes rather than enterprise-wide ones. And the impact of BPR implementation was not often sustainable and met the expectation since the fragmented information system resulted into the non-integrated database and redundancy of business efforts. This required a company-wide integrated business application and Enterprise Resource Planning (ERP) was introduced [2]. ERP is a

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enterprise-wide integrated software used to grasp and control management status in real time by computerizing the overall corporate activities, including purchase, production, sales, distribution and accounting.

The implementation of ERP requires the clear purpose and goal of process innovation for the company and the agreement of the management leaderships. After this consensus, it requires the external consultants who diagnose overall current business process and propose improvement opportunities, including ERP SW knowledge. Internal employees should join the ERP project as project members to verify a changed business process, to identify the preparation project such as the standardization of master data and cleansing the scrap transaction data, and to determine any supplemental solution. Project members should also involve business process redesign and ERP configuration since these ones should operate and maintain the ERP application after go-live.

To realize the benefits of ERP implementation, the effective change management should be considered. This includes the stakeholder management specially for the senior management sponsorship, the communication plan for the new process and environment to internal employees and executives, employee training of new business process and ERP operation. Implementing an ERP system is overwhelmingly seen as an IT project, but underestimating the importance of employee training has become the downfall for some. ERP training for end-users drives implementation success, and leads to improved business performance. Many researches show that training employees is a vital part of making an ERP implementation successful [3].

Successful change management requires a selection of the qualified internal employees as project members, but enough number of the project members. But too often, the number of project team members is determined by the project budget or by equivalence to the number of the external consultants.

2. Background

The Enterprise Resource Planning (ERP) is introduced to strengthen corporate competitiveness through integrated corporate information system and standardized business process. Beyond simply using information technology, ERP made it possible to not only build an information system, but make a broad innovation of business. This had much direct or indirect effect on operation, management, strategy, IT, and organization and the tangible benefits include reduction of lead time, increase of on-time shipments and inventory turns and increase for sales volume [4] [5].

Many companies have difficulties in implementing and maintaining ERP system, and the project target goals were achieved only by around 30% of the companies. Survey has showed that the five interdependent criteria for successful ERP Implementation have been widely acknowledged – strong executive commitment, clearly defined business case and objectives, effective program management and early and sustained application of an organizational change management program. And potential barriers for the successful ERP project have been identified and ranked in descending order in Table 1. Six of 12 factors are related with change management program [6].

But if a project is practically launched, a lot of project efforts are put into the selection of ERP SW and HW and the consulting partners for supporting ERP implementation, while little attention is paid to the selection of internal project team members for change management. The achievement of business value from ERP implementation can be explained by the 5 distinct stages as Figure 1. The challenge is to overcome the inevitable near-term loss in value from organizational upheaval in the early stages as possible [6].

The success in change management requires the selection of employees excellent in capability and communication skill within the organization in early stages, but it is difficult to find any study about how many employees are selected as the project team member. It is true that the more number of project team members reduces the risk of the change management but the quality of the internal staff and current business up and running should be considered. The present study aims to propose an empirical framework for calculating the right-sizing of project that are indispensable for successful change management.

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