

PROCESS CHANGE MANAGEMENT OF IMPLEMENTING ERP THROUGH SAP R/3 MODEL-MANAGEMENT PERSPECTIVE

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Abstract.

ERP provides an integrated and continuously updated view of core business processes using common databases maintained by a database management system. ERP systems track business resources—cash, raw materials, production capacity—and the status of business commitments: orders, purchase orders, and payroll. The applications that make up the system share data across various departments (manufacturing, purchasing, sales, accounting, etc.) that provide the data. This paper suggests the use of a process change management perspective to explore the ERP phenomenon. A framework is therefore adopted to highlight the various process change management constructs in the context of SAP R/3 implementation. Evidence on how these constructs are operationalized in practice is drawn from a large collection of R/3 case studies representing various organizational experiences. The paper provides foundation and recommends several ideas for future research and investigation.

KeyWords: ERP, SAP R/3, and PCM

Introduction

SAP R/3 was arranged into distinct functional modules, covering the typical functions in a business organization. The most widely used modules were Financials and Controlling (FICO), Human Resources (HR), Materials Management (MM), Sales & Distribution (SD), and Production Planning (PP). Each module handled specific business tasks on its own, but was linked to the other modules where applicable. For instance, an invoice from the billing transaction of Sales & Distribution would pass through to accounting, where it will appear in accounts receivable and cost of goods sold. SAP typically focused on best practice methodologies for driving its software processes, but more recently expanded into vertical markets. In these situations, SAP

produced specialized modules (referred to as IS or Industry Specific) geared toward a particular market segment, such as utilities or retail. Some recent figures show that more than 70% of ERP implementations do not achieve their estimated benefits. A recent survey also reveals that popular ERP packages fall short of expectations in their levels of increasing turnover, recruitment and training. This mixture of results makes the issue of ERP implementation of particular importance. ERP systems have great potential for providing an integrated application environment with a fast and seamless access to single unified information business-wide. However, it is clearly a risk-involving approach merely to consider the merits of such systems away from realizing the complexity associated with unifying both the technical and the business imperative, and the huge

organizational changes that this process entails. This is evident in the experience of Applied Materials which found itself overwhelmed by the organizational changes involved, and therefore gave up on its ERP system.

ERP and Process Change Management

In viewing SAP R/3 as an enabling tool for business process change, these theories fall short of covering the multi-dimensional changes involved. Changes involved in R/3 deployment are results of the shift in a business design from a fragmented, function-based organizational structure combined with inefficient, costly, slow and complex operations, to a process-based one served by an integrated cross-functionally, standardized, customer-focused and competency-centered system. Studying such a shift entails taking a broader approach towards uncovering the multi-Implementing ERP through SAP R/3: Facets of process change management in the R/3 context. These can be based on Grover's PCM framework, which embodies five groups of facets, as follows: Change management representing various human-related change activities, Project management relating to organizing and monitoring project team relations and activities, Continuous process management concerning the ongoing business processes' evaluation and improvement, Strategic planning referring to the set-up and planning of change goals and directions, and Technology management covering the technology selection and development tasks.

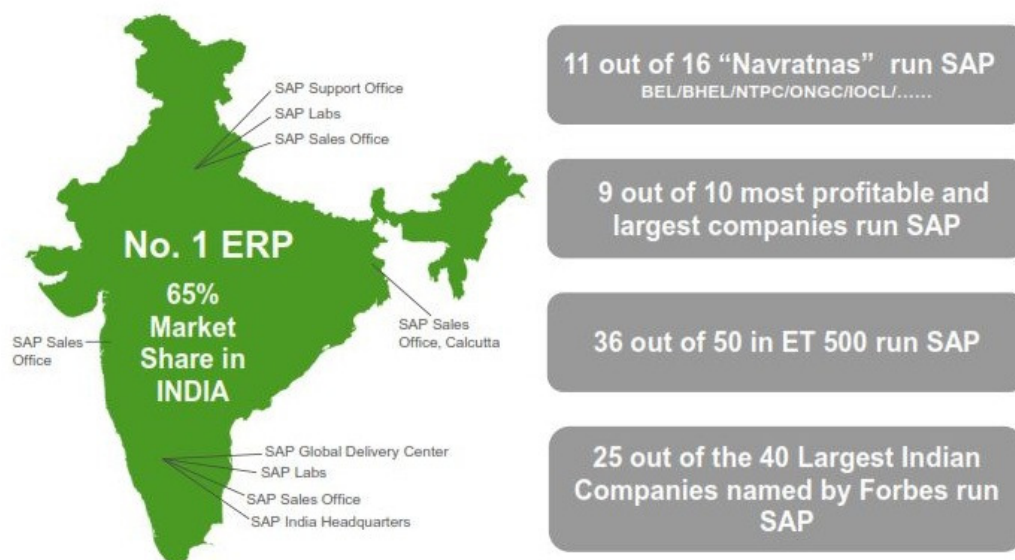
Change Management

SAP IN INDIA

Drawing on the views of Carr and Johansson and Cooper and Markus, change management in the R/3 context can be thought of as involving all human, social-related and cultural change techniques needed by management to ease the transition to and minimize organizational resistance of the new R/3 environment. The empirically-validated, best-practice model developed by Clarke and Garside [20] consolidates change management activities into five major groups. These are commitment, people, communication, tools and methodology, and interactions.

Change justification

This construct ensures a continual interaction and reconciliation between the business imperatives and the IT imperatives. This process involves the development of taxonomies of benefits that reflect not only the technical merits of the R/3 system, but also its positive and negative impacts on the whole business. For example, the University of Newcastle-upon Tyne in the UK defines a set of qualitative statements specifying the targeted benefits in each of its business units. Monsanto justifies its implementation from an operational excellence perspective, focusing on cutting the cost of core transactions-processing systems like order processing and inventory management. On the other hand, a consumer products' company defines its case for change as building an integrated material planning and production control approach which enables on-line access to data, reduction of product costing, and a holistic view of the business.



Project strategies

These strategies draw the path for all R/3 activities and ensure their top-down deployment. ETH Zurich, for instance, develops a clear vision and a set of strategic goals such as increasing user-friendliness, stabilizing staff cost accounting, and using the PCs for all activities. The University of Nebraska creates guiding principles and a strategic vision relating to the integrity, flexibility and effectiveness of the business environment. Lucent Technologies defines a set of implementation assumptions relating to its approaches to thinking, working, controlling and modeling during the R/3 implementation. Bay Networks develops its strategy along four major dimensions, namely growth, global ordering administration, financial reporting and process redesign.

Technology Management

This process involves investment evaluation, and contracting with supplier and consultants. For instance, a consumer products' company selects an implementation partner based on its track record of implementing similar projects, project management skills, technical skills, support capabilities, and cost effectiveness

of the quotation. The University of Nebraska makes its decision to select the R/3 system based on a recommendation of replacing current financial and human resource systems which results from the feedback of an assessment activity carried out at each campus. The State of Kentucky bases its selection on realizing the need to leverage its existing PCs and LANs, conduct on-line transactions and queries, and implement Electronic Fund Transfer, EDI and Internet capabilities.

Techniques

This covers analyzing the current system infrastructure and the design of the new R/3 architecture. Computer Co, for example, places an emphasis on designing business processes rather than on systems by making use of interactive business processes' modeling techniques for configuring the R/3.

Installation

This construct relates to customizing and configuring the R/3 modules, transitioning to the new system environment, and maintaining and supporting the system on a continual basis. RTL Television replaces its accounting, assets management, cost control and payroll systems with one

integrated system and interfaces for master data.

Recommendations

The ERP is a developing multidiscipline phenomenon that calls for a multifaceted approach towards understanding its complexity. The mature field of PCM exhibits a matching character, and thus represents an ideal theoretical basis for comprehending such a phenomenon. This research is an evidence of the validity of PCM as a theoretical source suitable for guiding ERP research and practice. SAP-Related PCM Constructs The paper provides taxonomies of PCM constructs in the case of R/3 implementation (Fig. 1). The framework presented provides a road map that can be useful in guiding the implementation process. It also illustrates that, along the vertical dimension, the orientation of the implementation issues range from the soft side to the hard side of change, depending on the nature of the PCM activities covered. Furthermore, a set of dependent and independent variables can be derived to construct a testable model that provides statistical measurements on the relationships between project success and various situational and contextual factors. It would also be interesting if the framework and taxonomies presented are extended to embrace more broadness, representativeness and generalizability. Each construct can be explored further using a micro-type of research that identifies internal elements, uncovers their working and relationships, and measures their two-sided effects on the deployment process. Longitudinal case research appears to be particularly appealing in the ERP field, since it allows for more research patterns and rigorous evidence to emerge. A cross-cultural model of research is another approach that helps uncover the global and regional

issues and their interactions in specific organizational settings.

Conclusion

As we embark on a new era of digital economy, it is no longer sufficient for organizations to rely on the use of piecemeal technologies, working in isolation and superimposed on rigid structures and systems. Furthermore, the new information-based economy requires a real departure from a functionally-based modus operandi to one which is based on agility, flexibility, responsiveness and mass customization. The concept of process change management (PCM) is an overdue major re-alignment of the ethos of value-adding principles. It ensures that activities are integrated to provide high levels of synergy and focus. PCM seeks to optimize the various capabilities that exist in business organizations, and has the potential to eliminate the various impediments from which organizations tend to suffer. However, the challenges that organizations face when considering the use of the PCM approach are numerous.

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