Evaluating Human Factors in ERP Implementations

Inka Vilpola and Kaisa Väänänen-Vainio-Mattila
Tampere University of Technology, Finland
Inka.Vilpola@tut.fi
Kaisa.Vaananen-Vainio-Mattila@tut.fi

Abstract: Enterprise resource planning (ERP) systems are ready-made software packages that are implemented in order to have the organizational data at hand in all business processes of the company. The highly risky implementation of ERP systems involves human aspect in addition to technical, strategic and operational aspects. To achieve successful implementation, the human factors need to be taken into focus throughout the implementation project. This paper presents three post-implementation case studies and evaluates the effects of human factors in them.

Keywords: ERP Implementation, Human Factors, Context of use, Key Players, Usability

1. Introduction

In the past ten years, Enterprise Resource Planning (ERP) systems such as mySAP (2004) and IFS (2004) have become crucial elements of many information and production processes. For example, manufacturing, purchasing, sales and distribution have been common targets for applying new ERP system modules. ERP implementation motivations have been described by Parr and Shanks (2000). Technical motivation aims at renewing aged computer systems and preparing basis for future investments, for example wireless technology. Operational motivation heads for simplifying and accelerating work processes, and strategic motivation operates on a higher level of abstraction, for example business restructuring. As a conclusion of the study of these motivations, Kumar et al. (2003) note that implementation challenges relate more too behavioural and management issues than to technical difficulties.

Somers and Nelson (2001) have listed 22 Critical Success Factors (CSFs) for ERP implementations. Eight of the top ten CSFs are related to human factors in the implementation process: top management support, project team competence, interdepartmental cooperation, clear goals and objectives, project management, interdepartmental communication, management of expectations, and careful package selection. The implementation approach can be affected by those who are closely involved in the design of company’s ERP implementation. Somers and Nelson (2004) have analysed who are the key players, so called stakeholders, and what are their roles in ERP implementation. Skok and Legge (2002) have illustrated the complexity of the relationships amongst the stakeholders by depicting persons representing different stakeholders, their thoughts, and possible conflict points in the interaction between them.

A central aspect affecting human factors is the context of use in which the new system is to be used. The context of use is defined as users, their tasks, the equipment, and the physical and social environment (ISO 9241-11 1998). Changes in the human factors and their effect on the success of the implementation unveil only in post-implementation case studies. Skok and Legge (2002) have used a post implementation analysis approach in their study of key issues of concern with individuals involved in ERP change process. They state that the interpretive approach, in which they interviewed study subjects in a semi-structured manner, is a suitable means for catching the rich and complex context of ERP implementation.

In this paper we first define what aspects of human factors relate to ERP implementation. We then present the categorisation and analysis of three post-implementation case studies in which we focused especially on human factors. Based on the result we present guidelines for conducting activities that support taking human factors into consideration in an ERP implementation.

2. Human factors in ERP implementation

The success of ERP implementation projects is highly dependent on the human factors that stem from the various stakeholders in the implementation project. When every one of the personnel of a
company will be involved with the new ERP system and mostly on the daily basis (Akkermans 2002), the human and political issues arise parallel to the technological and organisational issues (Mendel 1999). By human factors we refer to:

- The organisation, its culture and context of use, in which the ERP system is implemented according to the selected strategy.

- The issues arising from ERP implementation key players, for example the ERP project manager of the company implementing the ERP system but also the ERP vendor, top management, project champions, the key users, trainers, etc.

Usability, especially the fluent work processes of ERP users that can be achieved by using user centered design principles in the ERP requirement specification and implementation.

These aspects of human factors are intertwined and overlapping. Some of the key players, for example top management, belong to the organisation. Also, analysing context of use is a usability activity. In addition to human factors listed in this paper, management plays a crucial role in ERP implementation process, but management issues are beyond this paper’s scope. Next we explain the different human factors in more detail and connect them to the ERP implementation process.

2.1 Context and culture of the organisation

The context of use is defined in ISO 9241-11 (1998): “users, tasks, equipment (hardware, software and materials), and the physical and social environments in which a product is used”, Alvarez and Ural (2002) list culture and politics as contextual issues, and Krumbholz and Maiden (2000) present the model of culture’s impact on ERP package implementation. The social context, hereby organisational culture, will change as a result of the business process re-engineering (BPR). Krumbholz and Maiden (2000) state that BPR affects both the organisational culture and simultaneously is constrained by it.

ERP systems are implemented according to the company’s business strategy in order to achieve increased efficiency and competence. Nevertheless, the strategy is eventually put into practise by the workers of the company who are the users of the ERP system. The users vary in their knowledge, skill, experience, education, training, physical attributes, habits, preferences and capabilities (ISO 13407 1999). This fact affects the needs for training during implementation. Every task should be defined when the ERP system is specified; how a task will be performed within the new ERP system and if the task is left outside the system then it needs to be defined how is it carried out.

The social environment, which mainly refers to the organisational culture, can form a major obstacle in ERP utilisation. Divisions may find their autonomy threatened if suddenly everyone in the company can see the status of their business processes, and they are no longer able to define their own information requirements or computer systems (Davenport 2000).

2.2 Key player roles in ERP implementation

Skok and Legge (2002) define the company selecting, implementing and using ERP system as “a social activity system which consists of a variety of stakeholders”. Stakeholders come from at least two companies; an ERP vendor and a customer. In addition, third party consultants can take care of the requirement specification, implementation and training of the personnel. ERP implementation stakeholders are those who are somehow involved with the ERP customer company’s ERP project, for example customer company’s own subcontractors that may connect their information system to the new ERP.

Somers and Nelson (2004) list top management, project champion, steering committee, implementation consultants, and project team as the most important players in ERP implementation. The importance of ERP implementation key players vary depending on the implementation stage. Somers and Nelson use Rajagopal’s six-stage model (2002); initiation, adoption, adaptation, acceptance, routinisation and infusion. According to Somers and Nelson, the vendor support was unexpectedly important during the early stages of implementation as was the importance of consultancy in the last stage of implementation. Kumar et al. separate key players in
two sections, project configuration and shakedown, of implementation (2003). Kumar et al. list key players, which include project manager, project team members, technical and management consulting resources, executives, and operations managers, users, IT support personnel and external technical support personnel. During the selection and training, managers and consultants are more important, whereas during system performance tuning maintenance personnel and users are more important.

Kumar et al. (2003) found consultants to be important implementation partners for ERP customer companies. According to their study the most important selection criteria were reputation and ERP experience. Skok and Legge (2002) warn that consultants may not have strong commitment to ERP Customer Company, or may try to strongly influence company’s decisions. On the other hand consultants can have the time, skills and motivation for ERP implementation that is missing in company’s own personnel. It is even suggested that consultants could have a bonus when the business goals of ERP implementations are met (Skok and Legge 2002).

Users are mostly considered as part of the context, as was described in the previous subsection, but they are not currently listed as key players by Somers and Nelson (2004). This is somehow paradoxal since the key players representing the company that implements an ERP system are to be users after the implementation. Achieving the increased efficiency in business processes highly depends of the users. However the users may not be so interested in the business results achieved by the ERP implementation than enhancing and lightening their own work (Kumar et al. 2003).

2.3 Usability in ERP implementation
The usability is defined in ISO 9241-11 (1998): “extent to which a product can be used by specified users to achieve specified goals with effectiveness, efficiency and satisfaction in a specified context of use”. Since ERP systems are commonly commercial-off-the-shelf (COTS) systems and thus are used without internal modification (Botella et al. 2003), the usability of such a system can only be ensured by proper selection of the vendor and appropriate training. However, what is important in achieving the usability attributes is that the system supports users’ natural task flows in a fluent, thus effective and satisfying manner. The achievement can be measured with usability metrics, for example, time to complete a task or the ratio of failures (Preece, 1994). Usability is a central aspect of a system’s acceptability. Other aspects are, for example, reliability, compatibility and cost (Nielsen 1993).

To make an interactive system highly usable, user-centered design (UCD) process (ISO 13407 1999) should be followed. The main principles of UCD are involvement of users, distinction of users’ tasks and function of technology, iteration of design solutions, and multidisciplinary design. The standard also defines the following high-level activities of UCD:
Plan the human-centered process,
- Specify the context of use,
- Specify user and organizational requirements,
- Produce design solutions and
- Evaluate design against user requirements.

The high-level activities of UCD are iterated until user and organisational requirements are met. These activities can be put into practice by various usability methods, according to the project stages, e.g. Contextual inquiry, Focus Groups and Scenarios (Usability Net 2005).

3. Post-implementation case studies
To understand the extent and effects of human factors in current ERP implementations, we conducted post-implementation case studies of three production companies. The data was collected by interviews. Every case study began by gaining an understanding of the framework of the ERP implementation project; timeline, scope, motive, vendor selection and go-live phase. Next, users from various organisational levels were interviewed to get detailed information from the end
user point of view. This data gave the pragmatic insight of ERP implementation in the companies and human factors in the ERP implementation process.

Most often the implementation projects are discussed in terms of time and money. Descriptive is also the physical scope, which means the number of sites in a single or multiple countries. Differentiative is also whether the ERP system has been modified or implemented almost as such, reports and user interfaces being the only exceptions. Parr and Shanks (2000) present a taxonomy of ERP implementations categories: Comprehensive, Middle-road and Vanilla (Table 1). Categories are described by five characteristics: Physical Scope, the BPR Scope, Technical Scope, Module Implementation Strategy and Resource Allocation. Categorisation helps managers understand the dimensions of ERP implementations, and researchers to do correct comparisons between implementations.

**Table 1:** ERP implementation categories (Parr and Shanks 2000).

<table>
<thead>
<tr>
<th>ERP implementation category / Characteristics</th>
<th>Comprehensive</th>
<th>Middle-road</th>
<th>Vanilla</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Scope</td>
<td>Multiple site or international</td>
<td>Single or multiple site</td>
<td>Single site</td>
</tr>
<tr>
<td>Business Process Re-engineering (BPR) Scope</td>
<td>Local or international BPR</td>
<td>Alignment to ERP or local BPR</td>
<td>Alignment to ERP</td>
</tr>
<tr>
<td>Technical Scope</td>
<td>Major or minor modification</td>
<td>Major or minor modification</td>
<td>No modification to ERP (except reports and user interfaces)</td>
</tr>
<tr>
<td>Module Implementation Strategy</td>
<td>Skeletal or full functionality, module-by-module or integration to legacy systems</td>
<td>Skeletal, module-by-module, integration to legacy systems</td>
<td>Skeletal, module-by-module, integration to legacy systems</td>
</tr>
<tr>
<td>Resource Allocation</td>
<td>Time up to 4 years Budget up to $A10M</td>
<td>Time up to 12 months Budget up to $A3M</td>
<td>Time 6-12 months Budget $1-2M</td>
</tr>
</tbody>
</table>

### 3.1 Implementation categories of case companies

To understand the human factors of ERP implementations, we chose three manufacturing companies that each had implemented new ERP system up to two years before the case studies. Characteristics of these companies are presented in Table 2. In order to understand the different nature of each implementation project, the three case study companies’ ERP implementation projects are categorised according to Parr and Shanks (2000).

**Table 2:** General characteristics of the three case study companies

<table>
<thead>
<tr>
<th>Company reference</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing branch</td>
<td>Paper industry</td>
<td>Inks</td>
<td>Metal industry</td>
</tr>
<tr>
<td>Turnover</td>
<td>130 M€</td>
<td>700 M€</td>
<td>11 M€</td>
</tr>
<tr>
<td>Personnel</td>
<td>Over 1000</td>
<td>3200</td>
<td>110</td>
</tr>
<tr>
<td>Category of implementation</td>
<td>Comprehensive</td>
<td>Middle-road</td>
<td>Vanilla</td>
</tr>
</tbody>
</table>

Company A’s ERP implementation can be categorised as “ Comprehensive” . The company is multinational and has sites in different countries. The scope was to replace 20 earlier systems. Business process reengineering was done heavily to adapt to the new ERP system. The implementation needed large resource allocation and therefore also external consultants were used. The old production planning system was run parallel for more than a year after the new ERP system was started. Overall the ERP project took three years and was put into practise in two phases. The first phase included standard implementation process using external consultants and took 1.5 years and 30-40 man-years to complete. Shortly after, major problems in the use of ERP system were noticed and corrective actions included nomination of an internal development manager and using the consultancy. Results of consultancy such as process reengineering were applied 1.5 years after completing the first phase.
Company B’s ERP implementation can be categorised as “Middle-road”. The company is also multinational, but only particular modules of the ERP system were implemented. Five existing systems were left to interact with the new ERP system. The resource allocation was smaller compared to company A, and the implementation took less than a year. The requirement analysis was already made in purpose to apply another ERP system, which implementation was suspended as unsuccessful. Then the IFS ERP system was selected instead, and decided to be piloted in this plant, company B, reusing the same ERP system requirements. The IFS ERP system was used as the only production planning system after implementation was completed.

Company C’s ERP implementation can be categorised as “Vanilla”. Company C has only two sites in one country and the common database works in one place. The amount of users is fairly small and they have implemented only the core functionality of ERP system. However, the implementation took one year, because the company simultaneously carried out process certification. The ERP system was heavily tailored. Also the in the data conversion radical decisions included complete recreation of product descriptions. Only vendor, customer and raw material information was transferred from the previous system. The old ERP system worked parallel with the new ERP system in the production planning for half a year after the implementation, although the data was not updated. In addition company C still continued the usage of its old ERP system parallel with the new one in a few functionalities.

3.2 Research method

Both structured and unstructured interview methods were used. The unstructured interviews, which allow free-form discussion, were used with companies’ ERP implementation project managers and process owners to understand the frame of ERP implementation. This interview usually took several hours (companies B and C) or needed couple of meetings (company A). Then the structured interviews, lasting about an hour, with predefined open questions were used to get data about ERP system usage from production planners and shop floor workers. The questions of the structured interview were concerned with users’ tasks before and after ERP implementation:

- Which of your tasks have been dropped, changed or are as new?
- What tasks do you do after implementation, because or regardless of the new ERP system?
- What is the basis (data) you build your working and production decisions on?
- What indicator do you personally follow as indicator for production?
- Does the current ERP system support your indicator?

Despite the fact that the questions were structured before starting interviews, the discussion was performed in an unstructured matter so that the interviewee could freely express thoughts about ERP system implementation and usage. Single interviews were assured to be confidential and that the material was gathered in the questionnaire form filled by the interviewee only for the researches, not to be published for anybody else in the organization. The interviews and discussions included seven, five and two persons from companies A, B and C, respectively, according to their implementation category and local branch size. From every company at least the ERP project key person and one production planner were interviewed.

3.3 Results

Company A has multiple international offices and chose a well known, heavy, and diversified ERP system SAP, which is delivered in its entirety, but the customer chooses the parts to be used and configures the system by itself. Company A used third-party consultancy, whose implementation team ran into inner crisis after the blueprint phase, and company A had to change the consultancy to be able to continue the implementation project. For the implementation team of company A the implementation and configuration of the new ERP system caused extra workload, which overruled the redesign of the production process. Besides, the changes within the implementation were considered to be demanding for the personnel, and thus company A restricted itself from organisational changes at the time of the implementation. The organisation functioned as before and could not take advantage of the new system. Shortly after the implementation process was
completed company A noticed that the system was not fully used; the system lacked information, the production loading was primitive, and only the basic functionality such as order input was utilised. Despite the fact that ERP systems are commonly working through predefined processes, it seemed that these processes were not capable of handling the work loads of machines or phases in detail. Company A set a goal to make the process work and nominated an internal development manager who was placed in the division where the situation was the most acute.

One of the biggest problems before the implementation was that the volume of orders was not updated exactly enough, and thus wrong products were made at the wrong time. The new ERP hindered ambiguous orders from being put in the production process, and this put pressure on sales to clarify the order information. In addition, how the orders are chosen in the production was going through changes. Earlier the orders were pushed into production, but with the new ERP system the production pulls the orders to production depending on their priority and the production capacity available. The problem was now that Company A had competing priorities for production decisions. They measured the efficiency of production in terms of production reliability, delivery reliability and delivery cycle. Meanwhile the company rewarded employees based on the amount of production. With these two different priorities there were also competing priorities like the importance of certain customers' orders and salesman preferences. The decision making also went through changes. Earlier in the company A the information systems were used for gaining information about the orders, but the actions were entered only afterwards in the system. Now the ERP system required the decisions to be made and entered in the system at the same time, which makes personnel feel uncomfortable and scared about the responsibility it brings.

Company B started the ERP implementation project as a company-wide operation and proceeded to the requirement specification with defined processes and target operational models. Since the implementation failed in one branch office, the head office chose IFS as the ERP system and the case company B as the pilot place. The IFS consultants assisted the implementation, e.g. making the scope report, ensuring the business plan, choosing the process managers and key users, testing and fixing the software packages, making solution, integration and endurance tests, and training the key users. Company B’s earlier ERP system heavily supported financials and the production was dependant on the information filtered from there. With the IFS ERP system the production is able to relay on on-time information and foresee further production needs.

Company B’s drawbacks in the ERP system implementation were linked to the training and motivating the shop floor workers. The opinion of the project manager was that “Never let the consultant train your personnel”. The IFS consultants trained the key users of company B, and they trained other users in turn. The users stated that a key user as a trainer might lack training capabilities. Concurrently within the new ERP system shop floor workers were given more responsibility and told that it would raise their value in the employee markets. Workers were disappointed that management meant growing skills for using the new ERP system with the value and the workers had thought that the increased value would show in the salary. The enthusiasm and motivation towards the new system suffered so, that the shop floor level workers usually saw the ERP application only in the training phase.

Company C motivated their national ERP project with the currency change and by the fact that the old system was character-based. The processes were defined within the ERP project. Company C used the ERP vendor’s training services as they considered external trainers as key players to have the authority and ability to defend the resistance of change. Also in company C as well as in the company B the end users saw the system only in the training phase. A long list of additional requirements and change proposals was produced during the training, indicating insufficient user involvement, contextual analysis and usability testing during ERP requirement and system setup. As well as company A, company C also had problems of handling the work loads of machines or phases in detail. Also, parallel to new ERP system, Excel paradigms were used and shop floor workers used manual task cards.

ERP system will not be fully utilized if the organization and its culture, for example production prioritisation or usage of manual task cards, are not redesigned according to targeted operation model. The reengineering process needs contextual analysis to be successful. These cases show
that organization and its culture also affect in the selection of the key players for example consultants and trainers in ERP implementation. Most of all these cases show that the end users of the ERP system, including the shop floor workers, should be included among the key players. Common to these cases is that the production or shop floor workers have been introduced to the new ERP system only a short time before the system is taken into use. End user participation in the ERP system implementation process early enough also motivates and encourages efficient usage of the new system. Conducting contextual analysis and including end users among key players are part of the user-centered design principles and activities that should be followed to achieve efficiency of the new ERP system.

4. Discussion and conclusion

ERP implementation is affected by human factors in addition to technical and operational factors. Contextual analysis reveals the company’s entireness; users, tasks, physical environment, culture and communication. Key players may represent personnel from company’s ERP vendor or third party consultancy. Roles of the key players vary according to the implementation stage so that those who make plans and decisions for the implementation are key players in the early stages, and those who put the implementation in practice and support the usage are the key players in last stages in implementation. Usability activities are a way to take human factors into consideration in ERP implementation.

The post implementation case studies presented in the previous section show that human factors play a remarkable role in ERP implementations, and when ignored, can cause inefficient usage of companies’ resources. For example, the workers who were expected to work according to the ERP system’s production control and report through the system, were introduced to the new way of work in the very late implementation stages. In the ERP implementation the question is not only how the system works or how the user interface should be used, it is also a question of changing workers’ daily tasks and sequences, possibly also their responsibilities. To avoid the negative effects, a systematic method of collecting data about the context, organisation, company’s culture and the employees should be applied in early stages of the ERP implementation process.

As guidelines for human factors consideration we propose the following activities to be conducted in ERP implementations:

- A thorough contextual analysis in the beginning of the implementation project to support the organizational aspects in ERP implementation. For example, the content of informal communication can be defined only by studying the context of use.
- Including users among other key players, i.e. including shop floor workers in the implementation team.
- Systematic use of usability principles and processes, for example in ERP requirement specification and later, in ERP implementation activities planning.

Contextual analysis reflects the company’s current operations model in which the new ERP system is to be implemented. Based on the results of the analysis, risks of ERP system underutilization can be found. In addition, prejudices and resistance can be expressed by the workers during the analysis, and based on this, better change management can be planned. The implementation activities, for example data conversion, training and go-live, can be appropriately designed according to the organizational accomplishment. To achieve organization-wide cooperation in implementation, several end users, for example production workers, should join the implementation team.

By carrying out the activities recommended above, the implementation follows the user-centered design principles and processes. In the design of ERP system implementation the users are involved both as actors in the multidisciplinary implementation team and as a target of action in the contextual analysis. The context of ERP system usage is defined, and users’ and organizational requirements of the ERP system and its implementation are specified. The implementation is designed considering the context of use. The hardest thing to follow is the iteration of implementation design. Implementation plan can be iterated for example in the organization’s
internal meetings. These kinds of meetings could also be part of an information dissemination strategy of the ERP project.

As further work, we have applied a user-centered design method – contextual design – to small and medium-sized enterprises’ ERP requirements specification. The contextual design method is combined with more traditional operations model specification. This new concept, called **Customer-Centered ERP Implementation (C-CEI)**, is currently being tested and developed in industrial joint venture funded by the Finnish Work Environment Fund. On the basis of a pilot project, conducted in 1/2005, it seems that connecting UCD activities to traditional business process re-engineering helps with specifying the organisational – including human factors – needs more deeply. In addition, the organisation’s maturity to carry out an ERP implementation clearly increases.

**References**


Inka Vilpola and Kaisa Väänänen-Vainio-Mattila