Social and Cultural Challenges in ERP Implementation:
A Comparative Study Across Countries and Cultures

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ABSTRACT

This paper studies the differential practices of change management in organizations of western origin and compares it with the best practices prevalent in Indian organizations, with special emphasis on social and cultural challenges faced in these countries. Since Enterprise Resource Planning (ERP), as part of an information and communication technology (ICT) initiative, is frequently associated with organization change and transformation in relation to its adaptation, it has been used as the context in this study. The impact of social factors and cultural challenges on change management processes and elements are compared and contrasted using multiple case studies from USA, Canada, European (Western/Eastern) and Indian organizations who have adopted ERP technologies. The conceptual framework highlights cultural and social factors that affect ERP implementation, and offers suggestions to researchers to empirically test these influences using sophisticated analytical methods and develop change strategies and practices in response to these challenges. Further, it also draws attention to the need for a contemporary, result-oriented, quantitatively measurable framework of change management at the individual and enterprise levels. It is expected that such an approach would result in better buy-in from all stakeholders in terms of increased accountability.

Key words: Change Elements, Countries, Culture, ERP Implementation, Social and Cultural Challenges

INTRODUCTION

Any technological development in an organization initiates changes at both individual and organizational levels. The demanding responsibilities during an Information Technology (IT) intervention tend to create mental unrest,

fear and friction in the minds of the workforce, and more so in a developing country like India (Tarafdar & Roy, 2003). Enterprise Resource Planning (ERP) packages are claimed to be generic, off-the- shelf solutions, but the issues arising out of implementation in different country-specific cultures often hinder smooth implementation. There is growing evidence of social and cultural differences not being

addressed during implementation, leading to delays and failures in ERP adaptation. Change practices would need to be customized, along with precautions and planning on how to deal with the ensuing cultural challenges. This conceptual paper emphasizes the need to address essential change elements and factors keeping in mind the country specific context and its socio-cultural differences. It also attempts to provide evidence through case studies of organizations that have identified social and cultural challenges at the outset and proactively managed resistance to change through differential treatment within user groups.

THEORETICAL FRAMEWORK

The theoretical framework of this paper includes:

1. Literature review on Enterprise Resource Planning and Evaluation issues.
2. Case analysis of organizations that have implemented ERP across countries.

CONTEXT AND BACKDROP

Enterprise Resource Planning (ERP)**:** ERP is a tool that integrates information flowing into and out of a company's interdepartmental incompatible database(s) to provide smooth customer service through integration of functions such as marketing, sales, production, financials, materials, and human resources, leading to reduced inventory write-offs and increased profitability in the long run (Davenport, 2000).

Despite the huge need for ERP, the expected benefits are often not forthcoming, with many ERP projects failing to deliver the intended results. The reasons for failure are many and could range from fitment issues in terms of the processes not being mapped to the packages, lack of experience with structured change processes, lack of business integration with the ERP packages, or frequent technical challenges. For instance, by nature, an enterprise system

imposes its own logic, best practices and structure on the client company's strategy, culture, organization of departments and structure and hence pushes for and demands a huge amount of change management which client companies may not expect or plan for. These systems force firms to do business in ways that conflict with their vested interests or agenda, and hence could lead to a chaotic scenario. For most organizations, a change management initiative such as an ERP implementation involves the highest cost, time and effort possible in the organization's history (Davenport, 2000). Top managements at times decide to persist with the implementation, thrusting the entire responsibility on the Information technology department without realizing that the issues are to be dealt with elsewhere. Davenport suggests some essential steps for better ERP implementation success which include clarifying strategy in advance, changing organizational structure, putting the right people in place and installing an enterprise system gradually.

ERP IMPLEMENATION IN INDIA

In the context of ERP, there are unique issues faced in India, which could be rooted in its history of Information communication technology (ICT) development in purely Indian origin organizations. The IT growth in this context has hitherto been unbridled and fast paced, taking the workforce by surprise in a very short span of time. From basic rudimentary IT systems in the country, these organizations have moved to sophisticated packages such as Enterprise resource planning (ERP) to address the business pressures, information integration issues and expectations arising out of competition with the multinationals operating in the same space. In this context, it becomes important to test and evaluate the required elements in a change program to ensure better outcome. Indian organizations typically introduce Enterprise Resource Planning to address business issues such as information integration, customer satisfaction, and shared services. Unfortunately, despite the

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