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Critical Success Factors of Enterprise Resource Planning
(ERP) Systems Implementation in Sri Lankan Fast Moving
Consumer Goods (FMCG) Industry

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Research Highlights

Enterprise Resources Planning Systems (ERP) are implemented in organizations to optimize the supply chain to improve overall performance. Yet, it is observed that many organizations have not achieved the desired level of performance through this strategic move. Literature suggest that the implementation barriers can be a main reason for this. Hence this study tries to identify the success factors and challenges of ERP systems implementation in the FMCG industry through case study approach for four companies. Focus group interviews were used to gather data and the participants of the focus group interviews were key users who had an important role during the implementation. Success factors included the technological know-how, high management commitment, lesser government regulations, and experience of the process re-engineering. Challenges included investment in resources, information management, changing the organization culture to the best practices of the system, lack of the user training and limitation of proper consultancy services.

Research Objectives

Implementation of ERP is a complex exercise, and many adopters have come across problems in different stages. Many cases of the failure to implement ERP because of either terminations or cost and time overruns have been reported. An ERP execution can take many years to complete and its expensive. Approximately 90% of ERP system implementations were late or above budget and the achievement rate of ERP systems implementation was merely about 33% (Mishra & Mishra, 2010). Some of the organizations in the FMCG industry have implemented ERP systems to meet customer requirements and key performance indicators. In Sri Lankan context large scale manufacturers like Unilever Sri Lanka, Hayleys, Ceylon Biscuits Ltd. Nestle Lanka, Cargills PLC, Ceylon Cold Stores, Maliban Biscuit Manufactories Ltd. etc. have invested a large amount of money to implement ERP systems. However, no sufficient empirical evidence is found to define the degree of impact of ERP systems on the organizational performance (Rajapaksha & Seddon, 2005). Literature implies, there are some barriers to implementing ERP system in organizations in Sri Lanka (Madurapperuma et al., 2009). Hence this study attempts to identify the success factors and difficulties of ERP systems implementation in the FMCG industry in Sri Lanka.





Methodology

This study employs the qualitative research method. The FMCG organizations selected by which were already implemented ERP system for their main system to control all the function of the organization. Since this research is designed to carry out by the selected cases with the real data in Sri Lankan context. Case study research technique is particularly well-matched to Information System research, since the objective of our discipline is the study of information systems in establishments, and "attention has shifted to organizational rather than technical issues" (Myers, 1997). According to that, the selection was limited to four organizations. Though, respondents were also carefully chosen on the basis of the researcher's individual decision on the ground that they could deliver the necessary information needed for the research. This study based on the moderately semi-structured interviews to have flexibility to approach different respondents differently while still covering the same areas of data collection. The interviews were tape-recorded to ensure no information is missed out (Noor, 2008). Documentary evidences were used to cross-validate information collected in interviews (Myers, 1997). Additionally, documents provide guidelines in assisting the researcher with his inquiry during the interview.

Results

Results show that all the cases are at the stage of ERP post-implementation. The review of those cases are using the SAP software for their ERP system to integrate all the functionality in an organization. In the present situation of the ERP implementation all the four cases are slightly different in some factors. Most of the cases establishment of the ERP are under less than one-year period in the organization. Therefore, the users of the new ERP system were suffering from the lack of the knowledge and need more support from the consultations to doing the day-to-day operations in an organization.

All the cases, have used expertise knowledge for implementation ERP system from foreign parties. Therefore, they have to depend on third party consultation and support for day-to-day operations. That was a burden to users and if there is a problem they have to get support from the foreign party which was time consuming and loss of the operations at the immediate stages. Another point is the delaying of the system implementation in an organization. Because of the ERP concept was established in early 1990s, but in Sri Lankan FMCG industry is new to ERP.





Findings

Most organisations attempt to change their legacy systems to suit ERP systems. For this purpose, a business process reengineering should be done. Another finding of the research study is that, user training is important for successful implementation. If users are not aware of the system, they will resist to the system and the organizational achievements will be delayed. The findings regarding the management commitment and the leadership are more important in the pre-implementation and also in the post-implementation. Therefore, the top management need to check the performance and take corrective actions against any deviation from the best practices.

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