# USERS' ACCEPTABILITY OF ERP PACKAGE- "MFG/PRO" IN NICHOLAS PIRAMAL INDIA LTD., PITHAMPUR

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*In the present days of cut throat competition when businesses are looking for ways and means of sustaining themselves, ERP has emerged as one of the important solution providers. One of the ERP product is MFG/PRO, has a modularized menu layout and each module contains sub-modules of menu. Many of the top class and growing industries have been implemented the package, but only implementation does not suffice the purpose if it has not been accepted by end users. The end users are the driving forces of any ERP package. If package is highly acceptable and user is well versed with the package it leads to growth & development of organization at all levels. Successful implementation of ERP products requires changes in business procedures and sometimes increases the complexity of business processes. Because of the complex procedures & processes of ERP, sometimes users resist accepting it. The ERP asks them to change the way in which they do their jobs that is why the value of ERP is so hard to pin down. Level of acceptance may differ due to complex business processes & functional expertise of the user.*

*The present paper attempts to identify the users' acceptance of the ERP package. This idea is illustrated by using case study of Nicholas Piramal India Ltd., Pithampur, where ERP package MFG/PRO is implemented.*

## INTRODUCTION

Enterprise Resource Planning (ERP) is a set of best practices for performing different duties in the company, including finance, manufacturing, human resources, sales & purchase and the warehouse etc. As we know that there are 4 M's – Men, Machine, Material & Money these are the resources available within an organization and Enterprise Resource Planning provides the way for

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optimum utilization of resources. To get the most from the package, you have to get people inside your company to adopt the work methods outlined in the software. If the people in the different departments that are using ERP don't agree with the work culture embedded in the software, they will not get the right output or wanting IT to change the software to match the ways they want to do the things. This is the area where concern of ERP projects lies. If the customization is done to satisfy the user IT get bogged down in expensive customization efforts and customizations make the software more unstable and harder to maintain when it finally does come to life. So the alternative available is to convince the user with the advantages of ERP for the benefits derived on personal level. Training can be conducted with various ways so that the user will adapt the package & contribute in the growth of the organization. But this is not so easy as getting people inside your company to use the software to improve the ways they do their jobs is by far the harder challenge. If your company is resistant to change, then your ERP project is more likely to fail.

ERP integrates the information & combines all the departments together into a single integrated software program that runs off a single database so that the various departments can more easily share information and communicate with each other. That integrated approach can have a tremendous payback if companies implement the software correctly.

## Importance of ERP

Implementation of an ERP system in an organization has many benefits. Lowered lead times, leaner hierarchical structure, increased efficiency and better decision making are some direct benefits, while better customer satisfaction, good corporate image are some of the intangible benefits that accrue. ERP systems also provide the freedom to change manufacturing and planning methods as required without reconfiguring the plant layouts. Companies using the ERP system use simulation features to select the best production scenario. This leads to shorter production development cycles with increased efficiency in design and development activities. In other words, ERP systems help companies reduce data transfer time, eliminate duplication of work, reduce errors and increase design productivity through automated links between engineering and production department. One of the significant advantages of an ERP system is its capacity-planning feature. The ERP system has simulation capabilities that help the capacity and resource planners to choose the cheapest option, given the various capacity and resource utilization scenarios. This helps organizations in minimizing wastes only lead to increased costs and inefficiency.

There are five major reasons why companies undertake ERP. By integrated financial information, as the CEO tries to understand the company's overall performance, he may find many

different versions of the truth. Finance has its own set of revenue numbers, sales have another version, and the different business units may each have their own version of how much they contributed to revenues. ERP creates a single version of the truth that cannot be questioned because everyone is using the same system.

*Integrate customer order information ERP systems* - This can become the place where the customer order lives from the time a customer service representative receives it until the loading dock ships the merchandise and finance sends an invoice and receives the payment. By having this information in one software system, rather than scattered among many different systems that can't communicate with one another, companies can have online status orders more easily, and coordinate manufacturing, inventory and shipping among many different locations at the same time.

*Standardize and speed up manufacturing processes, manufacturing companies* - Especially those with an appetite for mergers and acquisitions often find that multiple business units across the company make the same widget using different methods and computer systems. ERP systems come with standard methods for automating some of the steps of a manufacturing process. Standardizing those processes and using a single, integrated computer system can save time, increase productivity and reduce head count.

*Reduce inventory-* ERP helps the manufacturing process flow more smoothly, and it improves visibility of the order fulfillment process inside the company. That can lead to reduce inventories of the stuff used to make products (work-in-progress inventory); and it can help users better plan deliveries to customers, reducing the finished good inventory at the warehouses and shipping docks. To really improve the flow of your supply chain, you need supply chain software, but ERP helps too.

*Accommodating Variety* - ERP provides *multi-location, multilingual* and *multi-currency* capabilities, and flexible enough to have customer service representatives in different countries taking orders in different languages and at the same time on a single host platform. *Multi-currency* functionality must be capable of, for instance, receiving invoices in Indian rupees, splitting the payment into German Marks and Belgian Francs, billing in Italian Lire, receiving cash in British Pounds, with the general ledger stated in US Dollars or Japanese Yen. Barriers of currency exchange rates, language, and culture can be bridged automatically, so data can be integrated.

*Standardize HR information* - It is done especially in companies with multiple business units HR may not have a unified, simple method for tracking employees' time and communicating with them about benefits and services. ERP can fix that. In the race to fix these problems, companies often lose sight of

the fact that ERP packages are nothing more than generic representations of the ways a typical company does business. While most packages are exhaustively comprehensive, each industry has its quirks that make it unique. Most ERP systems were designed to be used by discrete manufacturing companies (that make physical things that can be counted), which immediately left all the process manufacturers (oil, chemical and utility companies that measure their products by flow rather than individual units) out in the cold. Each of these industries has struggled with the different ERP vendors to modify core ERP programs to their needs.

## LITERATURE REVIEW

Leslie Smith(2001), says- "Its human nature to resist change, especially around technology". Her views regarding Overcoming resistance to change in an ERP system implementation:

> Adults do not like to look or feel foolish. People know that when they must learn something new, they will inevitably make mistakes. But they do not know how many mistakes they will make or how serious they will be, filling them with anxiety.

> People are cynical about the reliability of technology. More complex technology often means more breakdowns, which means downtime and inconvenience for people. Most people would rather stick with a product that they perceive as good enough.

People usually feel busy, even overworked, at their jobs, regardless of their true effort level. Further she says that Learning something new or doing something differently inevitably requires a time investment, but employees still have to get their jobs done. They resist putting in more time and effort, especially if they think things are working fine as they are.

*Joseph Kopetsky,* (Director of marketing and business development at custom software firm arcplan, inc) says- "People are resistant to change because they think they are proficient at their jobs." An announcement of a change is interpreted by many as criticism of their foregoing efforts.

Clearly, a lot of companies aren't managing change successfully. In a Conference Board report issued in June, researchers reported that 40 percent of participants failed to achieve their business case after having implemented ERP for at least 12 months. Twenty percent of survey participants terminated ERP projects entirely.

*Randy Schwartz and Marilyn Dashe* (1999), found that:

> It's natural, and even healthy, for users who have mastered current business practices and systems to balk at the notion of change. Many users view the prospect of a new information system as an implicit critique of how they are doing their jobs. No one likes to be told that his or her way of doing things needs

to be updated or, worse yet, that the way he or she does a job is an impediment to increased productivity. Senior managers and systems consultant should understand that, as Robbins and Finley put it, "A change initiative is organizational psychotherapy."

Unfortunately, senior management and MIS leaders tend to ignore user resistance. The assumption is that most users will subside into silence once they've been allowed to air their objections. Those who do not may leave the enterprise, but this does not particularly trouble the architects of the change; they view a certain amount of turnover as inevitable. From this perspective, the implementation of a new ERP system may cause a brief outbreak of turmoil, which is replaced gradually by a general acceptance of the change.

Our experience has shown that this scenario is based on two faulty assumptions. First it assumes that resistance to the new system will manifest itself in one of two ways: the majority of users will either fight the change overtly or flee the enterprise. Those who stay will eventually accept the change; those who leave will be missed only until competent replacements are in place. The second dubious assumption we see here is that resistance to change, no matter how intense, will be relatively brief in duration. Once the storm has passed, users will become productive with the new system, and the benefits of integration will shortly begin to accrue.

The real world is more complicated. Fighting and fleeing, for example, are only the two most obvious forms of resistance to the changes that a new ERP system brings. As Peter Brill notes, "Only 25 percent of employees embrace the change process." This suggests that between the two overt reactions of fight and flight are a variety of methods for resisting change. The majority of users — as many, typically, as 60 percent — will resort to less overt forms of resistance: hiding, denying, "Quitting and staying," or superficially accepting the change.

People are resistant to change so that rethinking and reengineering of business process is very difficult and it needs to introduce the concept of change management. A lot of companies are not managing change successfully and that is why it's very difficult to achieve the acceptance of user for any new technology.

Success of ERP package highly depends on its acceptance by end users so that the research on user's acceptability of ERP package has been undertaken.

The present study aims to identify the users' acceptability level of the ERP package in Nicholas Piramal India Ltd. (NPIL), Pithampur, where ERP package MFG/PRO is implemented.

### Implementation of ERP package MFG/PRO in NPIL, Pithampur

An ERP package provides several benefits and to enjoy those benefits the package has been implemented at Nicholas Piramal India Ltd., Pithampur in the year 97-98. The major reasons of implementation are:

Ž . Company need to face the global competition and need to get the preferred choice as at that time MFG/PRO was implemented only in HLL.

Ž Integrated information was required from different departments, divisions & locations to eliminate the redundancy of data and duplication of work and ERP provides Global integration of information, eliminates redundant effort and duplicated data; that can be a savings in operations expense.

Ž Management was seeking a common package to get the consolidated Balance Sheet from every location to make the decision making process more effective.

Ž Management & consultants studied the prevailing problems and decided to implement MFG/PRO, as it was the best-suited solution according to the business scenario and prevailing competition.

### RESEARCH METHODOLOGY

For the purpose of study the following hypothesis is developed.

Null Hypothesis ($H_0$): The ERP package MFG/PRO is accepted in Nicholas Piramal India Ltd., Pithampur.

Alternate Hypothesis ($H_1$): The ERP package MFG/PRO is not accepted in Nicholas Piramal India Ltd., Pithampur.

### Dependent & Independent Variables

The dependent variable is the acceptability of the ERP package MFG/PRO by the users, which means the level of acceptability is determined by taking into consideration few other related attributes. The independent variables are the different modules of ERP package MFG/PRO, which are used by the employees of NPIL, Pithampur and the area of functional expertise of various employees at NPIL, Pithampur.

### Sample

The questionnaire was administered to the managers at functional, administration & technical level in NPIL, Pithampur. The total users of this package in the organization are around 40.

Total sample consisted of 26 respondents they are from different departments and working on different modules. This sample size represents the complete gamut of the users in the concerned areas. Majority of the sample belonged to the middle management level in the organizational hierarchy. 8 respondents are from Accounts department who are working on Financial modules; 2 are from EDP

Departments who are not working on any specific module but solving the problems (troubleshooting) of all other departments regarding MFG/PRO; 3 respondents are from Production dept. working on Production module; 2 are from Purchase dept. working on MRP & Purchase module; 2 respondents are from planning dept.; 4 respondents are from Quality Control working on Quality Management module; 3 respondents are from stores working on Inventory module; 2 are from Validation dept.

## Research Tools

Questionnaire survey method was used to collect the data for present study. It consists of 26 questions and that is based on Likert type scale, questions are structured and close-ended. Despite of it personal interviews had been conducted to collect the data and to know the opinion of users of MFG/PRO in Nicholas Piramal India Ltd., Pithampur.

To test the hypothesis t-test has been used.

## ANALYSES AND RESULTS

The user's acceptability scores were subjected to t-test. The calculated sample mean is 46.35 and Sample Standard Deviation is 13.58. That is the user's acceptability scores range from 32.77 to 59.93. The calculated value of $|t|$ is 1.161 and critical value of $|t|$ is 2.06 at 5% level of significance for two-tailed test, which is more than the calculated value. Therefore the null

hypothesis is accepted that is - The ERP package MFG/PRO is accepted in NPIL, Pithampur but from the collected data we may conclude that it is accepted at moderate level of acceptance. Level of acceptability depends on functional expertise of the user and different modules on which they are working. For instance users who are working on modules like MRP, Inventory, Quality Control & other customized modules shows higher acceptability as compare to those users who are working on complex financial modules such as costing. Implementation of ERP needs reengineering of business processes to achieve the desired results, it introduces change in business processes and sometimes increases the complexities that also have significant impact on users' acceptability. Higher level of acceptability can be explored if the whole package is implemented as only selected modules of the package (MFG/PRO) has been implemented at NPIL, Pithampur.

From the collected data we can say that 31% respondents are highly satisfied with the package, 46% users are having medium level of satisfaction, and 8% users have low level of satisfaction whereas 15% of users are purely not satisfied with the package. Also from the collected data it has observed that 54% respondents said that modification in the package is required to some extent. 15% respondents said that this package is according to the business processes. 31% did not give any comment on

modification required and nobody said that modification is not required.

15% respondents said that workload has increased after implementation of ERP while 54% respondents were in favor of decrease in workload & 31% respondents did not give any comment on workload and nobody was in favor of No Change in workload.

15% respondents said that it is highly helpful in decision-making process while 62% respondents said that it is helpful in decision making to some extent whereas 7% respondents said that it is less helpful and rest did not give any comment on decision-making.

31% respondents said that it is highly helpful in understanding Business Processes while 27% respondents said that it is helpful in understanding Business Processes to some extent & 11% respondents were said that it is less helpful 31% respondents did not give any comment on decision-making.

## DISCUSSION AND SUGGESTIONS

The functional expertise of the user and the different modules used has the significant impact on acceptability of the ERP package. The users' opinion is that the technical modules such as Costing, Accounts receivable etc. are the most complex & accepted to some extent, whereas for the customized modules such as MRP & Quality Control the users have shown almost complete acceptability.

This study examined the existing level of the users' acceptance of the ERP package MFG/PRO in NPIL, Pithampur. The main contribution of this was that it could explore the various areas; which should be concentrated for effective and efficient use of the existing package. The various implications are

- To do ERP right, the ways you do business will need to change and the ways people do their jobs will need to change too. This change doesn't come without pain but to incorporate it the concept of the attitudinal change and the change management should be embedded along with the technical and functional aspect of the training to make the system user friendly and interactive instead of following a monotonous phase.

- MFG/PRO was implemented six years back in NPIL, Pithampur. Implementation should be reviewed in the context of the changing business needs and demands and new versions should be implemented to upgrade the package, which would make the system more flexible and adaptable to the user with its new features and concepts.

- New tools of the package as DSS (Decision Support System), CRM (Customer relation management), and Supply Chain Management should be incorporated to equip the user with the new technique to facilitate their work and to make the best use of the available resources.

- Employees at all levels who are affected by the new system need to be informed by a rigorous communications program. They must know the basic business procedures and impact of their functions and duties on others then only they will come to know the reason of complexities and realize the importance of their role in the organization as a whole.

- It is imperative to develop steering teams and strong leaders who must be capable of change management and the process of redesign and integration. The steering team must be prepared to undergo training to understand the process mapping and reengineering methodology to giving the users simplistic view of the real process.

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